

Italian government cash rescues state broadcaster

Rai saved from bankruptcy

By Robert Graham in Rome

The Italian government yesterday approved an emergency 1,700bn (\$420bn) financial package to prevent the state-run broadcasting corporation, the Rai, from bankruptcy proceedings.

The package has been the subject of intense negotiations between the government, political parties and Rai management. Mr Carlo Azeglio Ciampi, the prime minister, agreed to provide the aid only after being given evidence of a high reorganisation at the Rai and cuts of 1,700bn next year.

Mr Silvio Berlusconi, the media magnate who controls more than 85 per cent of Italian commercial television and who nurtured political ambitions, attacked the government rescue of rival channels. "This is the final blow at the end of the year: a government which regards its task as complete decides to allocate some 1,700bn of public money to the coffers of the Rai."

The Italian cabinet yesterday decided to send troops to crime-ridden Calabria and Naples and extended a similar anti-Mafia operation in Sicily, Reuter reports. The government first flew troops to Sicily in July 1992 after a car bomb killed Mr Paolo Borsellino, the top anti-Mafia judge, and five of his escorts in Palermo. Mr Borsellino died two months after the Mafia killed Mr Giovanni Falcone, another leading judge.

The Rai is expected to have accumulated losses of 1,500bn at the end of this year, with a further 1,750bn expected in 1994. Management has been unable to fund the usual extra month's Christmas pay.

The measures are primarily a book-keeping exercise. The government has allowed a 1,300bn increase in the value of the Rai's fixed assets. It has also accepted the conversion into equity of 1,300bn owed to the treasury.

At the same time the government is allowing a 5 per cent increase to the annual licence fee from 1,148,000 to 1,158,000. Also the proportion going directly to the Rai has been increased from 84 per cent to 91 per cent.

A final boost to the broadcaster's finances will come from a reduction in the annual concession fee paid to the state. This will be cut from 1,165bn to below 1,40bn.

The Rai is owned by Iri, the state holding company, but the debt conversion means that the treasury's deposit guarantee institute will become a shareholder. The government has insisted on a sixth board member to represent its stake, giving it a direct say in management.

Traditionally, the Rai has been answerable to the leaders of the main political parties who agreed a carve-up of influence so that the broadcaster's first and main channel was controlled by the Christian

Democrats, the second by the Socialists and the third by the Communists, now the Party of the Democratic Left. The outgoing parliament could still sabotage the package.

In the past six months new management has sought to end this political control, budgets have been trimmed, some 800 jobs have been cut and star entertainers have been asked to take salary cuts of up to 20 per cent. A further 900 jobs are expected to go next year.

Magistrates have also been called in to investigate corruption in the construction of a new headquarters and suppliers' contracts.

The broader issue of the future of state-run television is unlikely to be addressed until after the next general election. But Mr Berlusconi's political ambitions and the way he obtained his commercial networks from a now discredited Christian Democrat and Socialist dominated government will bring the question of television services into sharp relief.

Zhirinovskiy ends tour as Germany bars entry

By Judy Dempsey in Berlin and Jill Barshay in Moscow

Mr Vladimir Zhirinovskiy, Russia's ultra-nationalist leader, yesterday returned to Moscow after a controversial 10-day trip to Europe, during which he was refused an entry visa to Germany and Bulgarian authorities expelled him.

Mr Zhirinovskiy and seven of his aides had been due to arrive in Berlin last night at the start of an 18-day visit. However, a spokesman for Germany's foreign ministry said the leader of Russia's Liberal Democratic party was barred from entering the country on the grounds that his presence

would damage German interests.

The German media had earlier this month sharply criticised the authorities for granting Mr Zhirinovskiy a visa.

Bulgarian authorities deported the maverick politician after accusing him of meddling in the country's internal affairs. Mr Zhirinovskiy, who is reported to have referred to President Zhelyu Zhelev as "scum", was stranded at Sofia airport because of a pilots' strike.

The Russian politician has hardly spared a government or leader from his insults since embarking on his trip to Europe 10 days ago.

Romania's parliamentary deputies and senators yesterday condemned Mr Zhirinovskiy's statement in which he referred to their nation as "an artificial state of Italian gypsies".

He also accused Greece and Turkey of planning to conquer the Balkans.

The Russian Foreign Ministry has distanced itself from Mr Zhirinovskiy and said attention only served to give him more publicity.

"Russia has nothing to do with the statements of the Liberal Democratic party leader Vladimir Zhirinovskiy and does not share his opinions," an official said.

Israel and Vatican to sign pact

By Robert Graham

The Vatican and Israel are due to sign an agreement today normalising diplomatic relations and smoothing over a troubled past between the Catholic Church and the Jewish people.

The agreement has been painstakingly negotiated by a bilateral commission established in July 1992 although the groundwork was laid in 1964 when Pope Paul VI visited Jerusalem.

Both the Holy See and Israel stand to benefit from the agreement, finalised in Rome yesterday. It formalises the Catholic Church's right to operate in the Holy Land and lays the framework for property and fiscal rights in the state of Israel.

Both sides also believe diplomatic relations will help in a small way towards the Middle East peace process. Until now the Vatican has been reluctant to formalise relations for fear of prejudicing its relations with Arab countries, as well as because of the complex question of property rights in the Holy Land and the issue of the status of Jerusalem.

Yesterday, Mr Yossi Beilin, Israel's deputy foreign minister, said in Rome he expected ambassadors could be exchanged within four months.

Russia to do more for poor

The Russian government yesterday proposed higher social spending next year following the strong showing of the far-right in elections this month, Reuter reports from Moscow.

Mr Gennady Melnikyan, the labour minister, said social spending would rise from 9 to 13 per cent of gross national product.

Russian reformers have become sensitive to improving the lot of ordinary people following the success of the ultra-

nationalist party of Mr Vladimir Zhirinovskiy.

Mr Vladimir Shumeiko, a first deputy prime minister, said the government would increase income tax on high earners to pay for help for the poor. "Because the gap between the poor and the rich is rapidly growing, the government has prepared new tax regulations," he said.

The prime minister Mr Viktor Chernomyrdin and other reformers have interpreted Mr Zhirinovskiy's success as a pro-

test vote against economic hardship caused by radical market reforms rather than as a genuine swell in extreme nationalist feeling.

Mr Chernomyrdin has indicated his government would now focus less on tight monetary policy and more on investments to create jobs.

The government will have to look for ways of funding more social spending without compromising its plans for a tough budget next year aimed at curbing the deficit.

Security stepped up in Crimea

By Jill Barshay in Moscow

The Ukrainian authorities have been increasing the level of security in the Crimean peninsula after a month of violence and crime in the area which is home to the disputed Russian-Ukrainian Black Sea fleet.

The move comes less than three weeks before the republic's presidential elections.

Four Crimean politicians have been murdered since mid-November, including a Ukrainian member of parliament, the head of the Black Sea fleet's press centre and a Crimean presidential candidate.

On Tuesday it was reported that armed Ukrainian marines seized two fleet offices. No shots were fired. Cross-accusations of misconduct, such as

the office seizures, are frequent.

Ukrainian navy officials have accused Russian officers of trying to prevent servicemen from taking an oath of loyalty to Ukraine.

While these incidents have been small and isolated, they are indicative of increasing tension in the region, once the tranquil holiday playground of the Kremlin elite.

Fuelling the instability is the unresolved dispute over ownership of the Black Sea fleet, a serious obstacle in Russian-Ukrainian relations since the collapse of the Soviet Union.

Russia is likely to continue to press for full ownership of the fleet in exchange for offsetting Ukraine's \$2.5bn energy debt.

President Leonid Kravchuk agreed to consider this formula

at last September's Russian-Ukrainian summit.

However, the rise of Russia's nationalists has made Ukraine more wary of relinquishing its share of the navy despite its severe energy crisis.

The danger in Crimea is that Ukrainians might respond to imperialist rhetoric by becoming more anti-Russian, and that ethnic Russians who make up roughly 70 per cent of the Crimean population, will step up their pro-Russian campaign to break away from Ukraine.

The ultra-nationalist Mr Vladimir Zhirinovskiy brought out a huge vote among Russian citizens in the coastal city of Sevastopol, the Black Sea fleet's base.

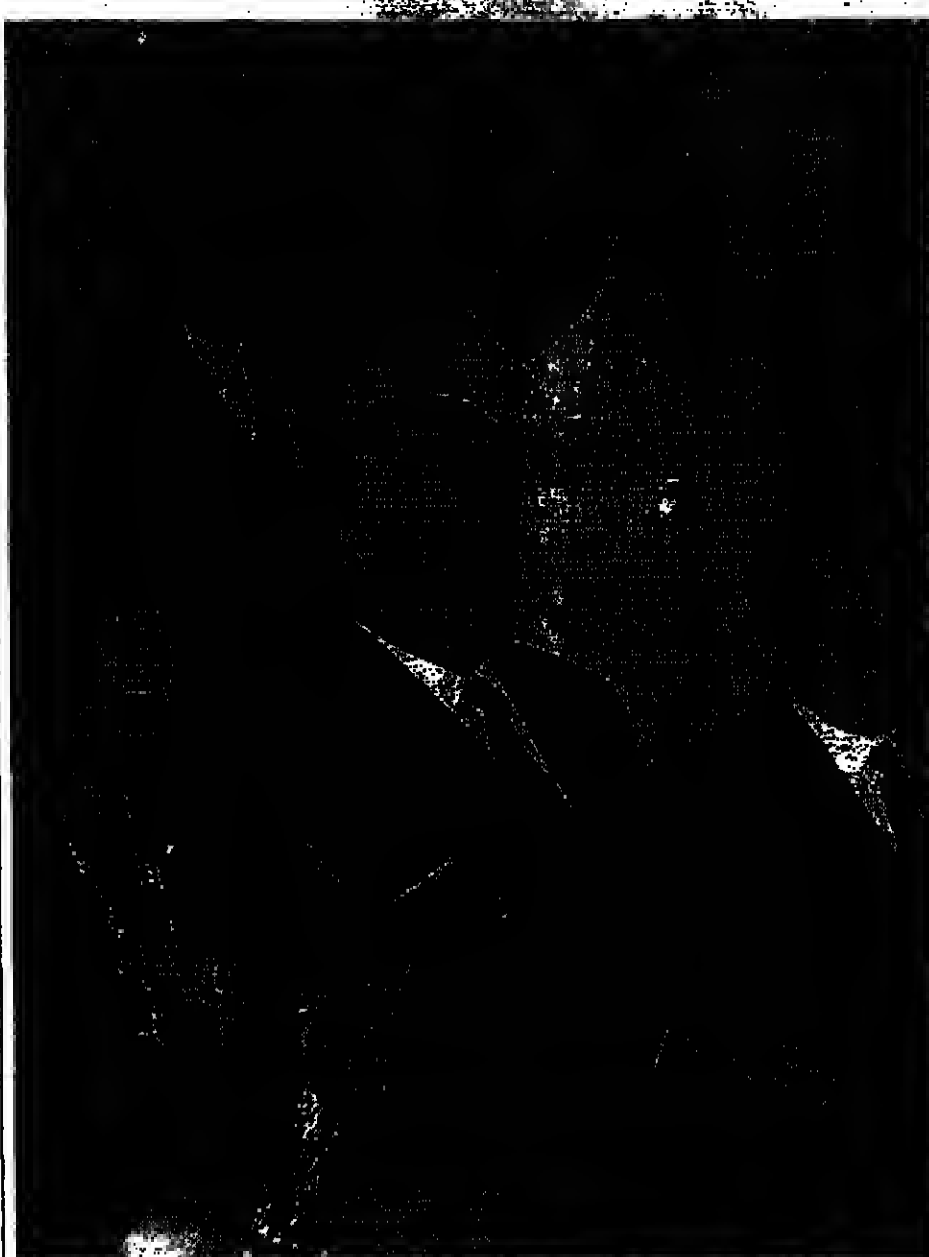
The Crimea was removed from Russian jurisdiction and gifted to Ukraine by the Soviet

leader Mr Nikita Khrushchev in 1954 as a symbolic gesture to mark 30 years of friendship between the two nations.

The Russian Space Agency announced yesterday that it had reached a preliminary agreement to lease the ex-Soviet Baikonur Cosmodrome located in Kazakhstan. Russia hopes to make commercial satellite launches from this installation, while Kazakhstan is looking to offset its \$1.3bn debt to Russia.

Mr Yuri Koptev, head of the agency, added that a final agreement could also include Russian access to Kazakh military sites such as the Semipalatinsk nuclear testing ground.

It was unclear how this potential arrangement would affect Kazakhstan's newly acquired non-nuclear status.



Animated Russian cultural figures surround President Boris Yeltsin at yesterday's award in the Kremlin of the annual state prize for artistic achievement

Aid helped to win chip plant for Dresden

Investment begins at home for Siemens

By Judy Dempsey in Berlin

Siemens' decision to invest more than DM2.4bn (\$1.42bn) in a new microchip production and research plant in Dresden can work much more closely.

As Germany's largest electronics manufacturer, Siemens wants to base part of its production and research at home with the aim of capturing more of the European market.

But choosing the eastern state of Saxony might also confirm the "leap-frog" theory in which sectors of the eastern German economy are expected to become competitive through the introduction of the highest levels of technology and expertise, rather than updating existing plants.

Siemens has traditionally gone abroad to manufacture the 64-megabyte memory chips and the 256-megabyte chips used for telecommunications, mobile telephones and vehicles. Its electronics divisions accounted for 65 per cent of this year's DM81.7bn turnover. In the US, Siemens co-operates with IBM in the manufacture of the 256 chip, and it produces semiconductors in south-east Asia. But Mr Werner Gries, a senior official at Germany's federal ministry for research and technology, believes Siemens wants to use its home base to produce these two chips.

"Siemens ranks third in the sale of semiconductors in Europe," he said. "It wants to do this, it will use the production and research facilities to Dresden to capture the market in Europe, and in other parts of the world."

In Mr Gries' view, what was crucial about the Siemens

approach to Saxony was its decision to place research and production under one roof in Dresden. "It wants to be able to develop the next generation of chips but in a way in which research and production can work much more closely."

Mr Heinrich von Pierer, chief executive of Siemens, said production from the 200,000 square metre greenfield site in Dresden, expected to start in 1995, will be largely export driven. "What we are seeking is higher productivity, greater innovation, and markets," he said.

For the moment, the company would go it alone, but the door would be open for IBM or Toshiba, the Japanese electronics company which already co-operates with Siemens outside Germany.

Research and production to be united under one roof

Investment grants were an incentive in the choice of Dresden. The state of Saxony, led by Mr Kurt Biedenkopf, and the federal government, will provide grants amounting to about 35 per cent of the DM2.4bn investment. In addition, the European Union's regional development fund and the federal ministry for research and technology is expected to provide DM300m.

Siemens officials denied that the grants would help offset a high real wage levels in eastern Germany. Wages are 20 per cent below western German levels although productivity lags behind western counter-

parts by 60 to 70 per cent. "You have to pay high wages for a highly skilled workforce in the computer industry," said a Siemens official.

Mr von Pierer said Saxony's traditionally strong industrial base and its skilled workforce also contributed to the decision. Those skills will be upgraded when Siemens, under contract with IBM, brings over 50 of its specialists from the US. He also cited the lack of bureaucracy and red tape which Mr Biedenkopf is renowned for cutting through.

Thus, proximity, as well as access to low labour costs in eastern Europe hardly figured in the choice of location. "Anyone coming into eastern Germany in order to use it as a stepping stone to eastern Europe must look to the long term. These markets have yet to develop," said a Siemens official.

For Saxony, the presence of Siemens could well reinforce the "leap-frog theory," in which investment channelled into greenfield sites can be used to introduce the highest levels of technology without using resources to modernise existing plants.

Mr Joachim Fals, senior economist at Goldman Sachs, the investment bank, agrees. "The leap-frog theory is happening slowly in some sectors in eastern Germany where an investor goes for high quality jobs, high value jobs, and a highly capital-intensive enterprise," he said.

"But actually, there's really no other choice because eastern Germany cannot offer a low-wage economy. That's where incentives and grants play such a big role. And probably these savings Siemens' decision to move to Dresden."

NEWS IN BRIEF

Renault to axe 2,100 jobs

Renault is to cut 2,100 jobs in 1994, according to a plan presented to unions yesterday, writes John Riddling in Paris.

The job cuts, which represent just under 5 per cent of the workforce at the French state-owned car group, reflect attempts to adapt to the depressed state of the European car market and to improve productivity.

The company said the cuts would be achieved through voluntary redundancies. Most would come from early retirement for more than 1,100 employees, the non-replacement of departing workers, and an increase in part-time employment.

The plan is in line with demands from the centre-right government of Mr Edouard Balladur that publicly-owned groups should avoid compulsory redundancies in their restructuring efforts.

Row over rule by decree in Romania

Romania's opposition yesterday accused the government of violating the constitution by passing a law allowing it to rule by decree during next month's parliamentary winter recess. Reuter reports from Bucharest.

Some observers said the move was an attempt to push through unpopular new taxes agreed as part of a loan deal with the International Monetary Fund.

Earlier, the hung parliament voted 159-1 in favour of the minority left-wing government headed by Mr Nicolae Vacaroiu. Opposition deputies refused to vote.

Belgian woman killed in Algeria

A Belgian woman and her Algerian husband have been killed in their home in the Bouira region in Algeria, 90km south-east of Algiers, Reuter reports from Algiers.

The killings bring to 17 the number of foreigners killed in Algeria since December 1, the deadline set by an Islamic militant group calling on foreigners to leave the country or risk "a sudden death".

Oil company faces shake-up

Nigeria's military government yesterday appointed a panel to reorganise the scandal-plagued Nigerian National Petroleum Corporation, Reuter reports from Lagos.

The 10-member panel would also examine the accounts of state-owned NNPC, which oversees Nigeria's oil industry and has been rocked by fraud allegations.

The corporation supervises the export of more than 1.5m barrels of oil a day, earning about \$10bn a year and accounting for more than 90 per cent of Nigeria's foreign exchange income.

Nigerian newspapers have recently given prominence to a World Bank report which said \$2.1bn of oil revenue in 1990, when the Gulf crisis boosted oil prices, was unaccounted for by the military government then in power.

Rising Seine threatens Rouen

The river Seine is in danger of rising above danger level in Rouen, north-west of Paris, city authorities said yesterday. In Paris, the Seine continued to rise after cutting off parts of the riverfront expressway at the weekend.

Chrétien's deft footwork keeps Liberals' stock high

Bernard Simon on the Canadian PM's down-to-earth style

Mr Jean Chrétien has enjoyed a remarkable honeymoon in the seven weeks since becoming Canada's 20th prime minister. This is not because he has shirked any difficult decisions; on the contrary, he has tackled a long list of politically risky initiatives.

Despite earlier promises to renegotiate the North American Free Trade Agreement, his new Liberal government will implement the pact as scheduled on January 1. Mr Chrétien has also scrapped the previous Conservative government's plan to privatise the country's biggest airport, and cancelled a contentious C\$5bn (\$1.75bn) helicopter order.

The Liberals have also flown in the face of advice from business leaders and foreign investors by replacing Mr John Crow, the inflation-fighting governor of the Bank of Canada. And the prime minister has sent unambiguous signals since taking office of plans for

a thorough overhaul of social security programmes such as unemployment insurance and welfare. The 10 provinces have been told to expect little, if any, increase in the federal transfers which help fund their health, education and welfare budgets.

The initiatives have so far been greeted with little dissent. The latest Gallup poll shows the Liberals riding high, with the support of 56 per cent of decided voters. This is their highest approval rating since 1970, and far above the 41 per cent of the vote which brought them to power in October.

Fears that Mr Crow's departure would send the Canadian dollar into free fall have turned out to be groundless. The Liberals are now being applauded for replacing him with his more personable deputy, Mr Gordon Thiessen, and for

promising to hold the inflation rate below 3 per cent until at least 1996. The dollar has risen by more than one US cent in the past week to 75.50 US cents.

Mr Chrétien, who will take a break from domestic politics next week for a trip to London, Paris and the Nato summit in Brussels, is given much of the credit for the Liberals' adroit footwork.

The new prime minister often describes himself as just "a little guy from Shawinigan" (his home town in rural Quebec). He has neither the intellect of his mentor, Mr Pierre Trudeau, nor the brokering skills of his Conservative predecessor, Mr Brian Mulroney. But, as one observer puts it, Mr Chrétien's political instincts are as firm as the footing of a mountain goat.

His experience is unrivalled among Canadian politicians; he celebrated his 30th anniversary as a member of parliament this year, having held almost every key portfolio during the Liberals' last period in office in the 1970s and early 1980s.

The previous Conservative government, hobbled by the public's mistrust of former prime minister Brian Mulroney, was wary of potentially unpopular initiatives in its last few years in office. But Mr Chrétien's down-to-earth style contrasts sharply with Mr Mulroney's inflated rhetoric and imperious demeanour.

The tough times of the past few years - unemployment still tops 11 per cent and public-sector deficits are at record levels - have helped make Canadians more receptive to the message of change.

Another factor in the new

government's favour is its warm relations with the civil service.

The Conservatives alienated senior bureaucrats by attaching large political staffs to each cabinet minister's office. These appointees shielded ministers from ideas generated in the civil service, while exposing them to the influence of special interest groups.

Two issues are bound to keep the new government's hands full: Quebec separatism and economic revival.

Mr Chrétien would prefer to avoid a repetition of the intractable constitutional wrangles which dogged Canadian politics in the late 1980s over Quebec separatism. But a provincial election must be held in Quebec by next autumn. The Bloc Québécois and its provincial counterpart, the Parti Québécois, will seize every opportunity to promote the separatist cause.

The Liberals next big test

starts on January 17, when the House of Commons reconvenes for the first time since the election. A new opposition, dominated by the separatist Bloc Québécois and the right-of-centre Reform party, will then begin peppering the government with questions and criticisms.

Mr Chrétien has sent strong signals to his ministers that their advice will be valued. Members of his cabinet have been told to keep their political staffs to a minimum. More than one political observer has remarked that the longest fester in Ottawa this winter belong to the lobbyists whose businesses flourished in the Mulroney years.

The Liberals next big test

On the economic front, the Liberals face the delicate task of fulfilling their campaign promise to create jobs and revive the economy, without increasing the budget deficit.

They are pressing ahead with a modest C\$6bn public works programme, to be funded by federal, provincial and municipal governments. But Mr Paul Martin, finance minister, has dampened expectations by revising the projected federal deficit for the year to March 1994 to C\$4.6bn-C\$4.8bn, far above the C\$2.6bn forecast by the Conservatives just eight months ago.

Mr Martin has put out word that the Liberals' first budget, to be presented in February or March, will be largely a holding operation.

The main event is now scheduled for early 1995, by when Mr Chrétien and his colleagues hope to have fleshed out their plans for new social security programmes, tax reform and defence cuts.

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India's gold and foreign reserves peak

India's gold and foreign exchange reserves have hit a record \$13bn, reflecting the improved economic outlook for the world's 12th largest economy, Reuter reports from Bombay.

The Reserve Bank of India yesterday said the country's gold and foreign currency reserves had reached a record \$13.01bn on December 17, up from \$9.9bn a year ago. Bankers said the Reserve Bank was taking in up to \$100m a day as part of its decision to hold the rupee at around 31.37 to the dollar. Strong dollar inflows are keeping the rupee buoyant.

On the day the government faced demands in parliament for the resignation of Finance Minister Manmohan Singh for failing to prevent last year's securities scandal, bankers and economists said the improved economy reflected the liberalisation policies of Prime Minister P.V. Narasimha Rao.

"The overall economy is moving out of recession. The underlying trend is buoyant," said Mr Narasimha Rao, chairman of ICICI, a leading Indian financial institution. But some core sectors, such as steel and cement, dependent on government expenditure, remained depressed because of spending cuts.

The government projects growth in real gross domestic product in the current fiscal year, ending in March, at 4.5 per cent, up from 4 per cent



Singh, facing parliamentary calls for his resignation

last year and 1.3 per cent in 1991-92. India's economic reforms have started attracting the attention of overseas investors, with \$3bn in investment approvals since Mr Rao took power, against one-tenth that in the preceding year.

The Association of Indian Automobile Manufacturers expects car output to set a record in 1993/94; businessmen hope the government will cut corporate taxes in February's national budget. Company profits have picked up sharply in the first six months of fiscal 1993-94. Foreign exchange reserves have improved since India embarked on a market-oriented reform programme in mid-1991.

A 'stealth' adviser refines his targets

Jurek Martin reports on Tony Lake's confidence in US policies towards Europe

An enormous painting of a bull dominates Tony Lake's office in the White House. If the president's national security adviser were in the habit of rolling his eyes in despair, as he might have been tempted to at times over the last year, he could not miss it.

Although Mr Lake owns a farm, the agricultural analogy should stop there. A better label for him came recently from the Washington Post, which called him the "stealth" adviser, unseen but not lacking in firepower. As befits the better academics, he speaks precisely, with humour and preferably off-the-record, though he has begun to give more public speeches.

Like other members of the Clinton foreign policy team, he will concede "bumps" have occurred in the relationship between the US and western Europe, not only because of well-publicised disagreements over Bosnia and trade but because of the evolution, for the first time in many years, of a coherent US policy towards Asia.

This led to the "perception" in Europe that it was being neglected in favour of Asia. Yet, in the Lake view, little has changed, since Europe, with Japan, remains at "the core" of US

foreign policy. What has moved on are the challenges. All three are facing economic difficulties and new uncertainties, specifically on the state of Russia, produce both the desire for change and fear of it. "This can translate," he says, speaking for the record, "into a lack of political will to come to

many European leaders in Washington in his first year as President George Bush did in 1989. He considers his own contacts with his foreign policy counterparts across the Atlantic to be optimal. Three presidential trips to Europe in the first seven months of

Mr Lake gives economic security a high priority but, perhaps tacitly acknowledging fears of a resurgent US economic nationalism, does not put it on quite the same pedestal as other members of the administration

grips with the newness of the [post-Cold War] world."

Except that he does not think this has happened. A veteran of the Carter state department, Mr Lake sees no comparisons today with the sour relationship between the former US president and the then-Chancellor Helmut Schmidt of West Germany.

Mr Clinton may not have been to Europe this year but his appoint-

ment diary shows he met about as many European leaders in Washington in his first year as President George Bush did in 1989. He considers his own contacts with his foreign policy counterparts across the Atlantic to be optimal. Three presidential trips to Europe in the first seven months of

the coming year ought to assuage European doubts, but, more than that, they are designed to give even greater substance to the relationship. Mr Lake gives economic security a high priority in US foreign policy but, perhaps tacitly acknowledging fears of a resurgent US economic nationalism, does not put it on quite the same pedestal as other members of the administration have. He rates it

alongside conventional security problems and the promotion of democracy. The cornerstone of the US approach to European security lies in the Partnership for Peace, criticised in some quarters as too gradualist a programme to bring the countries of eastern Europe into the Nato net. When he was in Washington earlier this month, Mr Andrej Olechowski, Polish foreign minister, did not conceal his disappointment with the co-operation on offer, especially in the light of the new menace of Russian nationalism evident in its elections.

The US view is that western and eastern Europe, including Russia, face "huge" choices and that Partnership for Peace, an evolutionary process, is deliberately designed to make those choices easier and less dependent on what happens in Russia. The "habits of co-operation" explicit in the new approach may have no time-frame but, in stressing longer-term practicalities, also close no doors. This is the message Mr Clinton will give to the leaders of Poland, Hungary and the Czech Republic in Prague next month after the Nato summit.

The national security adviser does not believe Russian nationalism will get out of hand, but is convinced that

the US must do nothing to contribute to its growth by pursuing policies that might be construed as threatening in Moscow. Equally, US economic assistance to Russia, while not neglecting longer-term reform goals, must also be geared to help meet shorter-term practical needs.

US policy generally is committed to ensuring the continued viability of Nato, while reshaping it to meet new problems. Encouragement is taken from the fact that the Nato enforcement of the "no fly zone" over Bosnia constitutes an important "out of area" precedent for the organisation. If the US commits troops to enforce any peace settlement, it will only do so as part of a Nato operation.

Mr Lake's worst moments this year have been over Somalia, as they were for Mr Les Aspin, the departing defence secretary, and he is reported to have offered to resign after 18 US servicemen were killed in Mogadishu. He seems now far more optimistic, even on getting North Korea to drop its nuclear ambitions, but not because he wants or even sees the emergence of a more civilised world order. To him, disorderliness opens the door for creative diplomacy, especially in bar-ness with western Europe and Japan.

Patten attacks China on Basic Law

By Louise Lucas in Hong Kong

Mr Chris Patten, governor of Hong Kong, yesterday accused China of making up the Basic Law, its post-1997 constitution for the territory, as it went along and of indiscriminately throwing out proposals discussed by the governments of Britain and the colony and in the interests of Hong Kong people.

Responding to a statement issued by the Hong Kong and Macao Affairs Office on Monday saying China would disband all elected bodies when it regains sovereignty in 1997, Mr Patten said it reflected the rule of man rather than the rule of law.

"Even if that was reasonable, it's clean against the Basic Law itself, Article 160 for example. It's not a matter for the Hong Kong and Macao Affairs Office to decide what is or is not in line with the Basic Law. It's a matter for the National People's Congress standing committee. So I don't know what the Hong Kong and Macao Affairs Office think they are doing."

"Their position appears to be that whatever Hong Kong people want, whatever the Legislative Council discusses, whatever we propose in the Hong Kong government or the British government, the Hong Kong and Macao Affairs Office and senior Chinese officials will throw it out," he said.

He added that legislative councillors would ensure fair and open electoral arrangements prevailed at the end of the day.



Governor Chris Patten with Yuan Jing, director of the Po Lin monastery, after yesterday's dedication of the world's largest bronze Buddha statue on Hong Kong's Lantau island

Colony to ease rules on TV ownership

Hong Kong plans to turn the colony into a regional broadcasting hub by scrapping some restrictions on foreign ownership of television stations, Reuter reports from Hong Kong.

But the government will press ahead with controversial legislation limiting cross-media ownership, Mr James So, secretary for recreation and culture, said yesterday.

"What we will do basically is to encourage more people to come to Hong Kong to set up television, either through cable or satellite or other forms, through the relaxation of the rule," Mr So said.

Foreign ownership is currently restricted to 49 per cent of non-franchised television stations.

The proposed relaxation, to be included in a media law now being drafted, would not cover Hong Kong's two conventional television stations, Television Broadcasts (TVB) and Asia Television (ATV), where tighter rules apply.

Apart from the two franchise broadcasters, pan-Asian satellite station Star TV and cable station Wharf Cable, are based in Hong Kong.

Mr Rupert Murdoch, who controls Star TV through his News Corp, skirted the foreign ownership rule last July by buying 63.6 per cent of HinchVision, which in turn owns less than half of the licensee, HinchVision Hong Kong. Mr Murdoch fell foul of the rules earlier in the year and was forced to withdraw a bid for a stake in TVB.

Menem wins vote for second term

Argentina's Senate passed early yesterday a bill calling for constitutional reform allowing President Carlos Menem to run for a second term in 1995 and continue his economic reforms. Reuter reports from Buenos Aires.

The Senate approval, by 33 votes to seven, fulfilled the last requirement for Mr Menem to convene a constitutional assembly next year. The lower house had voted for a reform last week. The reform will permit the removal from the 140-year-old constitution of a clause banning presidents from running for successive terms.

Mr Menem struck a deal to that end last month with his predecessor, Mr Raul Alfonsín of the opposition Radical party, who handed over power in a rush in 1989 as hyperinflation threatened to tear the country apart.

Four years later, Mr Menem has brought annual consumer price increases down to a single digit from the 5,000 per cent inflation rate during 1989. Mr Menem said this week he was planning to call an election for March 20 to choose delegates to the constitutional assembly.

Heading the terms of the pact between Mr Menem and Mr Alfonsín as the lower house had already done, the Senate went along with the reform bill but stripped it of a clause shortening senatorial terms to four years from nine.

"The senators say that if presidential terms are to be cut to four years from six, theirs should be cut to six from nine, rather than to four."

New York bombings leave 5 dead

A family vendetta sparked a bombing blitz in New York State that left five people dead and at least two others injured, police said yesterday. Reuter reports from Rochester. A woman and two men were to be charged later yesterday in connection with the killings on Tuesday night of members of a New York family.

Law enforcement sources said the motive for the bombings was a family dispute. The relatives apparently objected to a relationship between the woman and one of the men.

Police released a composite drawing showing a man in his 50s with a mustache and glasses, based on descriptions from people who had picked up the packages.

All the intended victims were members of the Fowler family who live in the Buffalo and Rochester areas of New York. The survivors have been placed in protective custody.

"We feel at this stage of the game it's somebody who has some type of vendetta or vengeance against the family," said New York State Police Superintendent Thomas Constantine.

Jackson sued for over \$20m

Promoters for Michael Jackson's cancelled "Dangerous" tour sued the entertainer on Tuesday for more than \$20m (£13.4m), claiming he was addicted to morphine and Demerol long before he sought treatment, AP reports from Los Angeles.

Jackson bowed out of the tour on its Mexico City leg in November when he admitted an addiction to prescription painkillers and sought treatment at an undisclosed location, apparently in Europe.

Jackson said at the time he was taking prescription painkillers after undergoing painful scalp surgery. He said his depression after a 13-year-old boy accused him of sexual abuse helped cause his drug addiction.

Mama Concerts, a German corporation, Pebbles Music, a California company, and promoter Marcel Avram of Munich, filed the lawsuit in Superior Court, California's highest state court, said attorney Donald Engel.

The lawsuit claims breach of contract, fraud, fraudulent concealment, negligent misrepresentation and conspiracy to defraud.

Winds of change whistle down Tokyo's corridors of power

An 'island of stability' is under attack, writes Robert Thomson

Power in Japan is concentrated in Kasumigaseki, where a few broad streets are lined with buildings that are home to Tokyo's bureaucrats.

In cramped conditions, with desks carefully arranged to reflect the occupier's place in the hierarchy, the graduates of the great universities, Tokyo and Kyoto, preside over the drafting of policy, confident they have guided Japan to its post-war prosperity.

Senior bureaucrats are fond of portraying Kasumigaseki as an island of stability and enlightenment, remote in attitude from the adjoining parliamentary district of Nagatacho where the often grubby business of politics is conducted.

Mr Hiroshi Kumagai, minister for international trade and industry, defiantly crossed the line between the two districts last week by forcing the resignation of Mr Masahisa Naito, director-general of Miti's industrial policy bureau, and one of the country's most powerful bureaucrats.

The case stirred fears among the bureaucracy that the new coalition government intends to increase the power of ministers at the expense of their ministries. Bureaucrats had been made uneasy by a deregulation drive intended to reduce their influence, but the campaign by Mr Kumagai was seen as a direct attack on the bureaucracy.

leaving to become a candidate for the Liberal Democratic party. The official also happened to be the son of another senior Miti bureaucrat who had pushed for the promotion.

Mr Naito had earlier said the resignation demand was unfair, and a dozen other Miti officials offered to resign in sympathy.

These resignations are yet to be submitted, and public sentiment has swung against a bureaucracy perceived to be more conscious of the privileges than the responsibilities of office.

The case highlighted the political affiliations of the bureaucracy. Mr Kumagai, a former Miti official, was taking aim at bureaucrats seen to be close to the LDP, which ruled for four decades until losing its majority at a July election. Links with the LDP were handy for bureaucrats, particularly for those with an eye on a second career in politics.

But the bureaucrats' desire to have Kasumigaseki recognised as Tokyo's high moral ground was undermined by this partisanship and by the acquiescence of ministries in recent construction, trucking and financial industry scandals.

One senior Miti official said yesterday many bureaucrats are conscious of their best protection against politicians is to be seen to be clean and competent.

In using deregulation to wrest influence from the bureaucracy, the coalition government is aware that the ministries' power resides in the vagueness of Japanese laws and in the maze of administrative regula-

tions and conflicting interpretations built around these laws. The Japanese parliament, for example, introduced legislation to bring financial reform in April, but the extent and timing of reforms are still controlled by officials in the finance ministry.

Banks' entry into the securities business has been slowed, and ministry regulations demand staff at a securities subsidiary wear a uniform completely different to that of the parent bank.

Prime Minister Morihiro Hosokawa came to office promising he would take a hatchet to such regulations and make the conduct of government more transparent. He complained that as a prefectural governor he was unable to move a bus stop without the approval of bureaucrats in Tokyo.

If bureaucrats continue struggling to protect or expand their vested interests, they will end up increasing the inconvenience to the people they are meant to serve," Mr Hosokawa said in a thin volume of his thoughts entitled *The Time to Act is Now*.

The bureaucracy takes comfort from instability within the coalition, a hotchpotch of seven parties likely to face another election next year.

More than Mr Hosokawa, officials are wary of Mr Ichiro Ozawa, who pulled together the coalition and runs the Japan Renewal party. Mr Ozawa is close to Mr Kumagai, and the two are agreed elected politicians should tackle the unelected bureaucrats.

Part of the Ozawa agenda is that politicians should serve longer as ministers to build expertise in their area and reduce their dependence on bureaucrats, who write speeches and answer questions in parliament on behalf of their masters.

But ministers are unlikely to secure long terms in a shaky political environment, while an LDP government would want business as usual and would hardly pursue an official of Mr Naito's political leanings.

Japan's trade negotiators face a tough new year

The office buildings in Tokyo's central business district have lowered their shutters for the new year holidays, but Japan's trade negotiators are unlikely to be in festive mood as they welcome the advent of 1994.

They face a series of sessions with US trade officials throughout January in the run-up to a summit between President Bill Clinton and Prime Minister Morihiro Hosokawa scheduled for February 11.

But as the summit approaches, Japan's relationship with the US, its most important trading partner, is showing signs of renewed strain.

Earlier this week, Mr Mickey Kantor, US trade representative, voiced unhappiness over market figures which showed that foreign semiconductor makers' share of the Japanese market had declined this year. The numbers raised "serious concerns regarding Japan's commitment to fully implement the Semiconductor Arrangement", Mr Kantor said, calling for an emergency bilateral meeting in January to discuss the issue.

The semiconductor accord calls for Japan to improve its market share of foreign semiconductors to an average of 20 per cent over the four quarters of 1993, at a minimum, Mr Kantor said.

Mr Kantor's remarks were echoed by Mr Warren Christopher, secretary of state, who expressed concern over the fall in foreign market share and further blamed Japan for the lack of progress in the bilateral framework trade and economic negotiations.

There are, perhaps, a number of internal reasons in Japan relating to their own political situation, but

Tokyo braced for more US pressure on market access, reports Michiyo Nakamoto

that does not in any way diminish the need from the standpoint of the US for us to see solid progress" in reducing the bilateral trade imbalance, Mr Christopher said.

The sharp US statements follow a letter Mr Kantor sent in mid-December to the Nihon Keizai Shimbun, the Japanese financial daily, saying that Japan's trade barriers and its current account surplus reduced opportunities for jobs and manufacturing not only in the US but in Japan and the rest of the world as well.

Such pressure on Japan suggests growing impatience in the US over the lack of progress in bilateral trade negotiations agreed between the two governments this summer.

When President Clinton and Mr Hosokawa meet in February, the two sides are scheduled to report what has been achieved so far in the agreed areas of negotiation, particularly in efforts to increase market access and sales of foreign goods and services in Japan.

However, as both US and Japanese officials admit, there is still a considerable gap between the kinds of measures the US wants Japan to adopt to increase foreign market access, and those which Tokyo is willing to accept.

In particular, Japanese trade officials have steadfastly refused to accept any quantitative targets which could be construed as a commitment by the government to an annual level of sales or market share by foreign companies.

As the two sides remain deadlocked, US officials may be hoping that by increasing the heat on Japan, they will be able to pressure Japanese officials into a last-minute compromise.

While accepting Mr Kantor's request for an emergency meeting on semiconductor, Japanese officials express dismay at the aggressive approach being adopted by the US.

"The more the US dwells on the 20 per cent market share figure, the more there is the feeling in Japan that no matter what they call it, numerical targets take on a life of their own," one official at the Ministry of International Trade and Industry said.

Under the agreement, Japan recognised the US expectation that the foreign share of the Japanese semiconductor market would reach 20 per cent by the end of 1992. The US has, however, come to consider the 20 per cent figure a commitment by the Japanese government.

Mr Kantor's remarks were echoed by Mr Warren Christopher, secretary of state, who expressed concern over the fall in foreign market share and further blamed Japan for the lack of progress in the bilateral framework trade and economic negotiations. There are, perhaps, a number of internal reasons in Japan relating to their own political situation, but

Scott inquiry to probe alleged German link

By Rachel Johnson
and James Blitz in London,
and Judy Dempsey in Berlin

The Scott arms-for-Iraq inquiry is to investigate allegations that officials from Royal Ordnance, the armaments company, helped a German small-arms manufacturer evade embargos on defence exports in the 1980s.

The prosecution in the trial

in Germany of Mr Walter Lamp, managing director of Heckler & Koch, has alleged that officials in the UK company helped divert arms to the East German security services and the Nicaraguan Contra rebels as well as to Iraq via the United Arab Emirates. Heckler & Koch was bought by Royal Ordnance in 1981.

According to the prosecution, Royal Ordnance provided

false end-user certificates for Heckler & Koch guns claiming their destination was the UK, rather than countries affected by international embargoes.

It is not clear from evidence before the court whether the alleged events occurred when Royal Ordnance was government-owned or after its 1987 sale to British Aerospace.

Mr Paul Regan, a lawyer on the Scott inquiry team, said

yesterday the inquiry was "looking into" some activities of Royal Ordnance, along with other UK manufacturers, but had not been aware of the trial in the town of Rottwil, Baden-Württemberg.

Mr Regan said the inquiry was investigating government claims that it did not know that UK companies were contravening official guidelines on defence exports to banned

countries. "The crucial point is that up until 1987 Royal Ordnance was Government-owned and they could not argue that they did not know what its business was."

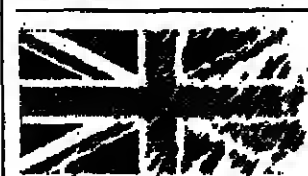
"If it emerges that a large consignment of something nasty went from Royal Ordnance to Iraq then we are interested in when it went, was there a proper export licence, how did it leave the country,

was the Government aware, or could they have taken steps to prevent it," he said.

Mr David Clark, shadow defence secretary, said that, if the alleged arms dealing took place before the sale of Royal Ordnance, it would imply that British officials had been "sleazy and corrupt."

The Rottwil trial, like the Scott inquiry, is in recess until early in the new year.

Britain in brief



Republicans cool on NI peace effort

Republican opinion appears to be hardening against the London-Dublin peace declaration, after a meeting of more than 300 activists in Ulster suggested that there was no support for the declaration in its current form.

The meeting, involving members of Sinn Féin, the IRA and other republicans on Tuesday, provided the first public demonstration of the attitude among IRA and Sinn Féin supporters towards the declaration, issued two weeks ago by Mr John Major, the prime minister, and Mr Albert Reynolds, his Irish counterpart.

Speakers insisted that they wanted peace discussions, but that further explanations and concessions were needed from the British government before the declaration could be endorsed. None of the speakers accepted the declaration in its current form.

Lloyd's Ohio case dismissed

A US judge has dismissed a case brought in Ohio by a group of Lloyd's members, on the grounds that the litigation must be heard in English courts.

The Lloyd's members alleged that the Ohio state securities laws were violated when they were invited to join the London market. However, the judge dismissed the case because a clause contained in agreements between members and Lloyd's stated that US courts had no jurisdiction over the matter.

Agreement on gas release

British Gas and Ofgas, the industry regulator, have agreed that 500m therms of gas will be made available in 1994 for release to British Gas' commercial competitors.

The amount is similar to that released in the first two

years of the programme, which was set up to stimulate competition in the supply of gas to large industrial and commercial users. Since its inception the independent gas marketing companies have captured about 70 per cent of the firm contract market.

First oil from new N Sea field

The Strathpey field, east of Shetland, produced its first oil this week in preparation for full production early in the new year.

The field, operated by Texaco, is one of the largest and most complex North Sea developments to have its production machinery installed on the seabed. It is controlled from the nearby Ninian Central platform, where the output is processed.

Strathpey's peak daily production will be 45,000 barrels of oil and gas condensate and 114m cubic feet of gas.

Plan for new schools funding

The British government yesterday announced that it would provide funds for new selective grammar schools in a radical extension of its policy of encouraging "choice and diversity" in education.

This departure from the policy of building comprehensive schools that has been in force for around 25 years aroused instant condemnation from the Labour party.

Individual promoters, who the government expects to include parents, religious interest groups and business organisations, will be allowed to establish new schools, with 85 per cent of the capital building costs met by the government. The remainder must come from the promoters.

Scots bank chief dies

Mr Charles Love, the chief executive of Clydesdale Bank and a prominent figure in the Scottish business community, died suddenly on Tuesday, while on holiday in Meribel, France.

Mr Love, aged 48, had been chief executive of Clydesdale for little over a year. He was appointed in succession to Mr Richard Cole-Hamilton, after joining the bank earlier in 1992.

Expansion for steel markets

By Andrew Baxter

Steel stockholders, which buy steel in bulk from mills and prepare it for sale to end users, will see their market grow modestly until 1996 because of the expected return in the UK economy, according to a report published yesterday.

The growth will reflect greater demand for steel from industries such as automotive, construction, chemical process plant and gas supply, says Marketing Strategies for Industry, the market research company.

But it forecasts negligible market growth in 1997 as the economy slows, and predicts a decline of 2 per cent in 1998. The report estimates that UK mills' deliveries of steel to stockholders rose 3 per cent to 2.5m tonnes this year, reversing the downward trend which reduced the size of the stockholders' market by 17 per cent between 1990 and 1992.

It says stockholders' fortunes are inextricably linked with conditions in the steel market as a whole.

This was particularly evident in 1993 as stockholders were affected by overcapacity in the industry, which has led to very low prices.

The report says strip mill products are believed to have increased their share of stockholders' sales this year, accounting for 49 per cent of the market.

Stainless steel also increased in importance proportionately, primarily at the expense of general steels.

Seven steps to success in business

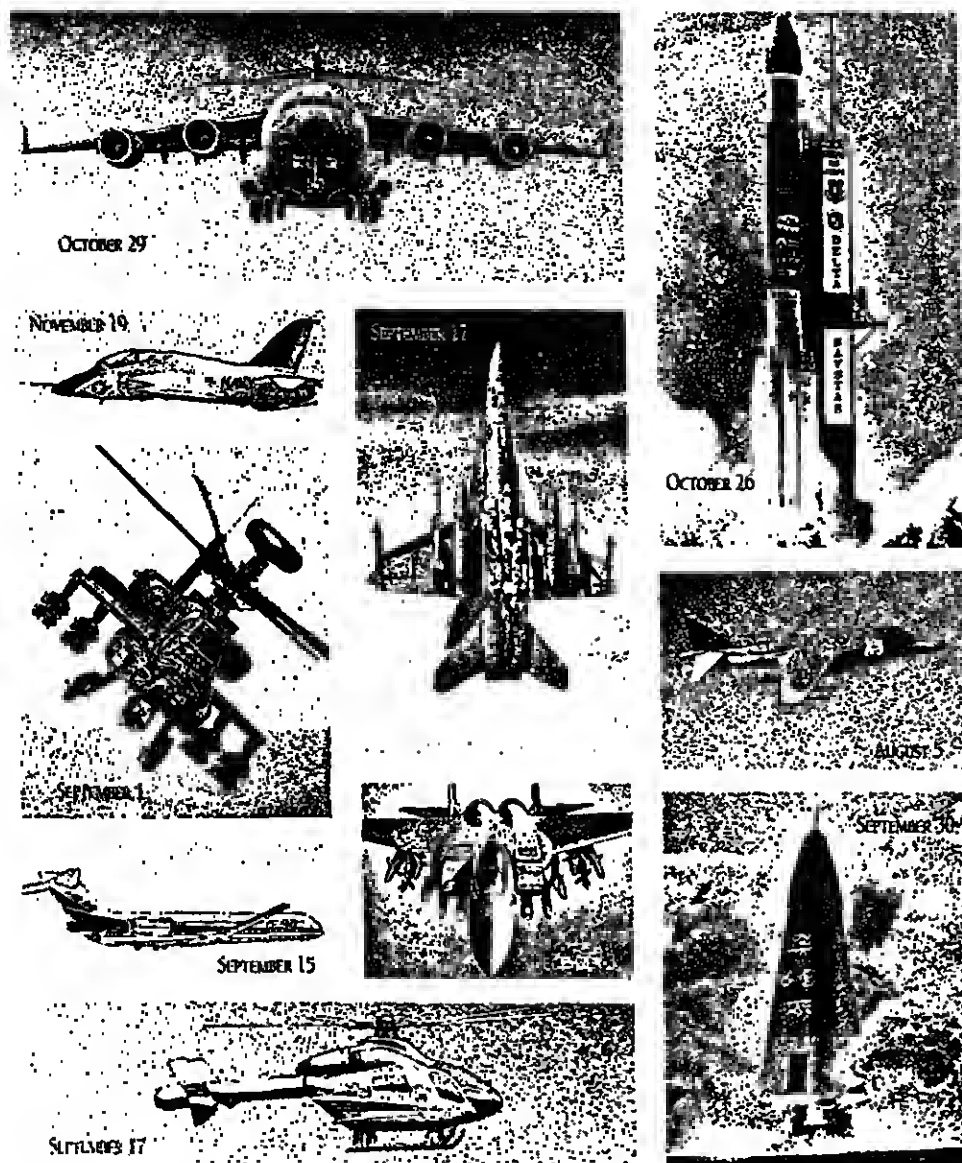
By Chris Tighe

Researchers at Durham University Business School claim to have identified seven "dimensions" of behaviour which indicate which entrepreneurs have the greatest potential for business success.

The seven factors are:

- vision - the ability to project an image into the future of where the individual would like his or her business to be;
- need for achievement - motivation to succeed and the ability to set realistic goals and achieve them;
- need for autonomy - the need to work for oneself and do things one's own way, but also to accept information and guidance from others;
- calculated risk taking - the ability to evaluate risk and plan a strategy to reduce it;
- opportunistic tendency - the ability to perceive opportunities for business development within the surrounding environment;
- internal locus of control - an acceptance of personal responsibility for the business's performance rather than explaining success or failure by external factors like luck and chance;
- creativity and innovation - the capacity to think up creative and innovative solutions to problems.

The conclusions were gleaned from an extensive review of other research and tested on a sample of 16 graduate entrepreneurs and 100 past and present Midlands small businesses.



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IBM KNOW HOW

CONSULTANCY & SERVICES

Forecasting a decade forward was tough enough ten years ago, when the world was changing more slowly than it is now.

The hazards of doing so can be demonstrated by recalling the management theories which were fashionable then but are rejected today. Mass production ideas, for example, have been replaced with lean thinking concepts. Forward-looking organisations are no longer driven by the 1980s mantras of financial engineering and earnings per share growth.

It is worth remembering, too, that while the great academic thinkers advance our knowledge with new management ideas, some of their "Eurekas" imply old messages masquerading in new language.

In trying to crystallise my own thinking, I have started with the basic assumption that the company of tomorrow will have to delight customers faced with a bewildering array of choice. At the same time, they will have to survive in their chosen markets, all of which will be subject to virulent global competition.

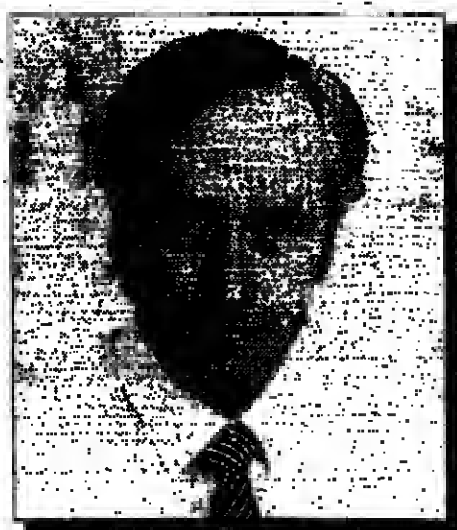
Work can now be done almost anywhere by almost anyone, heralding new waves of competitive intensity, unparalleled in the experience of many of today's leading companies. Three billion people have entered the global market economy since the demise of communism.

Since I contend that our system of democracy and the market economy is in harmony with the human spirit, I expect to see these new market entrants aspire to our lifestyle. In many countries, employment costs are between one tenth and one hundredth of those in Europe and they are now producing high quality products with high technology and high productivity.

How will we respond to this new tidal wave of competition? Our conventional way of working - which I would describe as Model A - equips us poorly. It is characterised by short-term, power-based relationships between the company and its stakeholders. Many companies adopt this approach, convinced that it is a superior way of securing competitive advantage.

The company's ownership structure is a powerful determinant of its behaviour. Under Model A, the City can and will abandon publicly-quoted companies at the speed of light when they fail to meet the expectations which have been set for them or even if they exceed those expectations (in the belief that their performance is unsustainable). The City itself acknowledges the short-term nature of its approach. Companies striving to meet unrealistic expectations reinforce Model A behaviour in dealing with all their other stakeholders.

It should be noted that many of



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Facing the future of choice

John Neill continues our series by advancing a model for forging closer ties with customers and suppliers

The go-go companies of the 1980s have become the gone companies of the 1990s. During the years between 1986 and 1993, earnings in corporate UK grew by 30 per cent but dividends by more than 100 per cent. This does not lead to world class companies. Study after study demonstrates the vast gap in performance between UK companies and their world class competitors.

Look also at the way in which some companies and their employees act. The annual knock down fight between employers and trade unions is fatally flawed because the latter too often demand shorter working weeks and more money without the productivity gains to pay for it. The reality is that the unions often win their short-term, power-based struggle but are then the first to blame the management, the company or the government when massive job losses follow some years later.

There is strong evidence that more than 60 per cent of western manufacturing activity is non-value added. This waste cannot be eliminated in a model characterised by short-term, power-based relationships.

Confrontation also dominates many company supplier relation-

ships. The focus is on the piece price with the purchasing department taking a tough line and deliberately re-sourcing from time to time to demonstrate their prowess.

In the motor industry the contrast with the Japanese - whose companies operate a "shared destiny" relationship with their suppliers and lead the world in quality and productivity - is telling.

There is, in my view, a superior model for long-term competitive advantage which will characterise tomorrow's companies. I will describe it as Model B. In this model, management will utilise and subscribe to the most appropriate philosophies to inspire all their stakeholders to engage in long-term relationships. This will be born out of the conviction that doing so offers a superior way of securing competitive advantage.

This Model B company will strive to build lifetime relationships with its customers and realise that to do so, it will need to harness the intellectual energies and creativity of all its other stakeholders.

Model B companies will strive to create a community of employee stakeholders who are committed to the company, the customer, quality and continuous improvement.

The company of the future will view its suppliers as stakeholders and work with them in close partnership, continuously striving to make its activities from raw material to the end user, as lean and efficient as possible.

This company will realise that the vitality of the communities in which it trades and from where it recruits future employees is crucial to its prosperity and will lead or participate in partnership with others in its community for mutual long-term benefit. This is not altruism or a return to the so-called collectivist ideologies of socialism and communism. I am convinced it is the next step in the development of our capitalist system.

In Unipart we are trying hard to transform ourselves into a Model B company. We know we have an enormous amount to do but to help us, we have established our own Unipart "U" (University). Its mission is to inspire people to achieve world class levels of performance. We know we must change our ability to recruit our stakeholders if we are to stand any chance of arriving in the next century successfully.

The author is group chief executive of Unipart

The quality gospel according to Deming

Martin Dickson on a man revered for his influence on corporate competitiveness in the US and Japan

W. Edwards Deming, one of the most influential figures in modern industrial management theory, once remarked - with typical antagonistic bluntness - that he would like to be remembered in his native US as "someone who spent his life trying to keep America from committing suicide."

When he died in Washington, DC, last week at the age of 83, that wish was amply fulfilled, as some of the largest companies in the US paid tribute to his role in improving their competitiveness.

Ford, the country's most efficient car manufacturer, said Deming had been instrumental in guiding it to a "sharp focus on quality, not only to its manufacturing processes, but in all of its operations."

There is no small irony to this, for Deming, who first made his name in Japan, where he was revered by industrialists for four decades, was largely unknown in the US until the start of the 1980s. That was when a television documentary on the US's diminishing industrial competitiveness described his key role in formulating those quality control techniques which have played such an important part in Japan's industrial achievements.

As the US stampeded after Japan, Mr Deming suddenly found himself in great demand, along with a handful of other experts, as a consultant in a set of business theories, pioneered by the Japanese, which have come to be known as total quality management (TQM). Ford was one of Deming's earliest converts.

TQM, which is now being embraced by European companies, has become perhaps the most influential management theory of the late 20th century. It has many variants, but at its heart lies an unremitting focus on maximising quality in every aspect of a company's work, involving all employees in the process and trying to achieve the complete satisfaction of a customer's demands.

But there is a danger of over-emphasising the cantankerous Deming's importance in this. He has certainly been the most visible

and charismatic advocate of the quality movement, but he did not start it, and a motley collection of cooks from around the globe have contributed to the TQM soup.

Man has been tracking quality, in one form or another, for generations, but the modern movement's origins are often traced to Walter Shewhart, an American Telephone & Telegraph executive. In the 1920s he devised a method of using statistics to control the quality of telephones manufactured at the company's Hawthorne Works in Chicago.

The plant's employees included Deming and Joseph Juran, who became disciples of Shewhart's statistical methods and went on to be the two most influential members of the quality movement.

Juran, aged 89, is now on his last speaking tour before retirement. Both men had a profound impact on Japan as it tried to rebuild its shattered industries after the second world war. Deming, the first to visit Japan, so impressed its businessmen with the importance of statistical quality control that in 1981 they created a Deming Prize for companies which had shown impressive quality advances. It took 38 years for the US to do likewise, with the Baldrige Award.

Juran, who first toured Japan in 1954, is widely credited with teaching the country that statistical techniques needed to be backed up with a complementary management commitment to quality in general. But in a recent interview Juran maintained: "If neither I nor Deming had gone to Japan in the early 1950s, the Japanese would still have achieved world quality leadership."

Deming, for one, may have learnt almost as much from the Japanese as he taught them: he only formulated his celebrated 14 Points - the crux of his mature quality theory - in the 1970s, after two decades observing Japan's unique management culture, which tries to involve all employees in making decisions. The 14 points involve a much more philosophical approach to quality than the practical advice handed out by most consultants. Deming

suggested that a successful company needed to undergo a revolution in thinking.

The elements included "constancy of purpose" - a knowledge of what business it is in and a strategy for staying ahead; "profound knowledge" of subjects such as statistical theory and group dynamics; and a constant striving to improve.

Arguing that bad management was generally responsible for 85 per cent of a company's problems, he urged executives to "drive out fear" and encourage creativity among junior workers by giving them more responsibility and treating them as colleagues. He deplored performance ratings and inter-departmental competition as inimical to co-operation.

Juran, by contrast, places less emphasis on the importance of statistics and suggests that the Juran Trilogy - quality planning, control and improvement - can be mastered without philosophical transformations. Other prominent US experts, such as Phil Crosby, offer still different approaches.

David Garvin, a Harvard Business School professor who has written extensively on quality issues, says Deming's theory may be better for some kinds of companies - it seems to have worked well in the mass production vehicle industry - while Juran's tack may suit others, such as engineering-driven technology businesses.

But he adds that "anyone who tries to say Deming is more important than Juran, than Crosby, misses the point. Each has staked out important pieces of the terrain. Only when you put them all together, he says, do you come up with the very demanding quality criteria laid down for the Baldrige award - and they are in themselves no guarantee of success."

"Anyone who tells you quality is the answer to all of your competitive problems is being very misleading," says Garvin. "There's no simple solution."

Deming would have thoroughly agreed with that hard-nosed judgment - despite his elevation late in life to the pantheon of management gurus.

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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant to Telecom Securicor Cellular Radio Limited ("the Licensee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be authorised to connect its systems to a wide range of other systems, including GSM systems outside the United Kingdom, and to provide any telecommunication service apart from cable television services, telepoint services, and certain types of international services.
3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the system run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate the Licensee's system as a public telecommunication system.
4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the Telecommunications Code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions to the application of the Code is that the Licensee will have duties:

- (a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
- (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
- (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
- (d) to inspect its telecommunication apparatus to ensure that it would not cause harm to other persons or property;
- (e) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
- (f) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to keep installed and maintain the telecommunication systems required to be kept installed and run under the licence.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the system is installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 31 January 1994 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.85, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1733.

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COMPANY NOTICES

THE ROYAL BANK OF CANADA

U.S. \$350,000,000 Floating Rate

Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st December 1993 to 31st January 1994 has been fixed at 2 1/4% per annum. On 31st January 1994 interest of U.S. \$2,850,000 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st January 1994 will be determined on 27th January 1994.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

IRISH PERMANENT BUILDING SOCIETY

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 8 1/4% Bonds 2004 is payable on 15th January 1994. The record date for this purpose (as defined in Article 4 of the Terms and Conditions of the Bonds) is 31st December 1993. The Bonds will go ex-dividend on 14th January 1994 and payments will be effected through Bank of Ireland, Registration Department, 34 College Green, Dublin 2, who are the Registrar for the issue.

Cathal MacCarthy
Secretary

LEGAL NOTICES

Company No. 1643132, 2251641, 2405867

Registered in England and Wales

ROMAC BAULAGE LIMITED

ROMAC INTERNATIONAL LIMITED

ROMAC

Notice is hereby given pursuant to Section 692B Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named companies will be held at the offices of: Coopers & Lybrand, Orchard House, 10 Albion House, Middlesbrough, Cumbria, ME14 5XG on 9 January 1994 at 10.30 a.m. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if: (a) They have delivered to me as the witness above by no later than noon on 5 January 1994, return details of the debts they claim to be due to them from the companies and the claims have been duly admitted under the provisions of Rule 4.11 Insolvency Rules 1986; and (b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed or on behalf of the creditors must be lodged at the address mentioned; photocopies are not acceptable.

Signed: E.M. Shires
Joint Administrative Receiver

Coopers & Lybrand

Orchard House

10 Albion House

Middlesbrough, Cumbria, ME14 5XG

Dated 23 December 1993

NORTH EAST LONDON PROPERTY COMPANY LIMITED

Registered number 2254929

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Dated 23 December 1993

Cinema in 1993/Nigel Andrews

Feelgood movies give way to darker themes

As easy targets like right- and left-wing tyrannies collapse, British cinema has found a new villain: political correctness

Many a job has its own occupational dangers, many of them readily insurable. They can range from errant factory machinery to collapsible coiffures, from tennis elbow to housemaid's knee to athlete's foot.

Film critics, though, are a disadvantaged group. Once or twice a year they are set upon, violently and unmercifully, by friends or colleagues who cry "Why did you send me to such-and-such a film?" or "I took my entire family to see *Blood Bath*. At *The Abolition* on the strength of your review" or "About that small, subtitled Armenian film, Nigel, that you recommended at the ICA..."

There is no insurance against people who go ape after taking your advice. All one can point out helpfully and unapologetically - I do so now in response to those FT colleagues who have recently fumed at me about *The Piano* - is that film reviewing is not an Exact Science. A critic can be secure in his own opinion; he can share it up with arguments and even cite the international prizes a film has won. But still people will bear down with murder in their eyes, asking why they were sent to a film with a heroine who does not speak, a back-end-of-nowhere setting (turn-of-century New Zealand hush) and a whole lot of rampant sex and violence.

We will return to *The Piano* shortly, round about Ten Best time. But this was a year, to console the aggrieved, in which many films had a built-in Feelgood Factor. Among them: *Much Ado About Nothing*, *The Wedding Banquet*, *Sleepless in Seattle* and even that feminism-made-easy British costume extravaganza, *Orlando*.

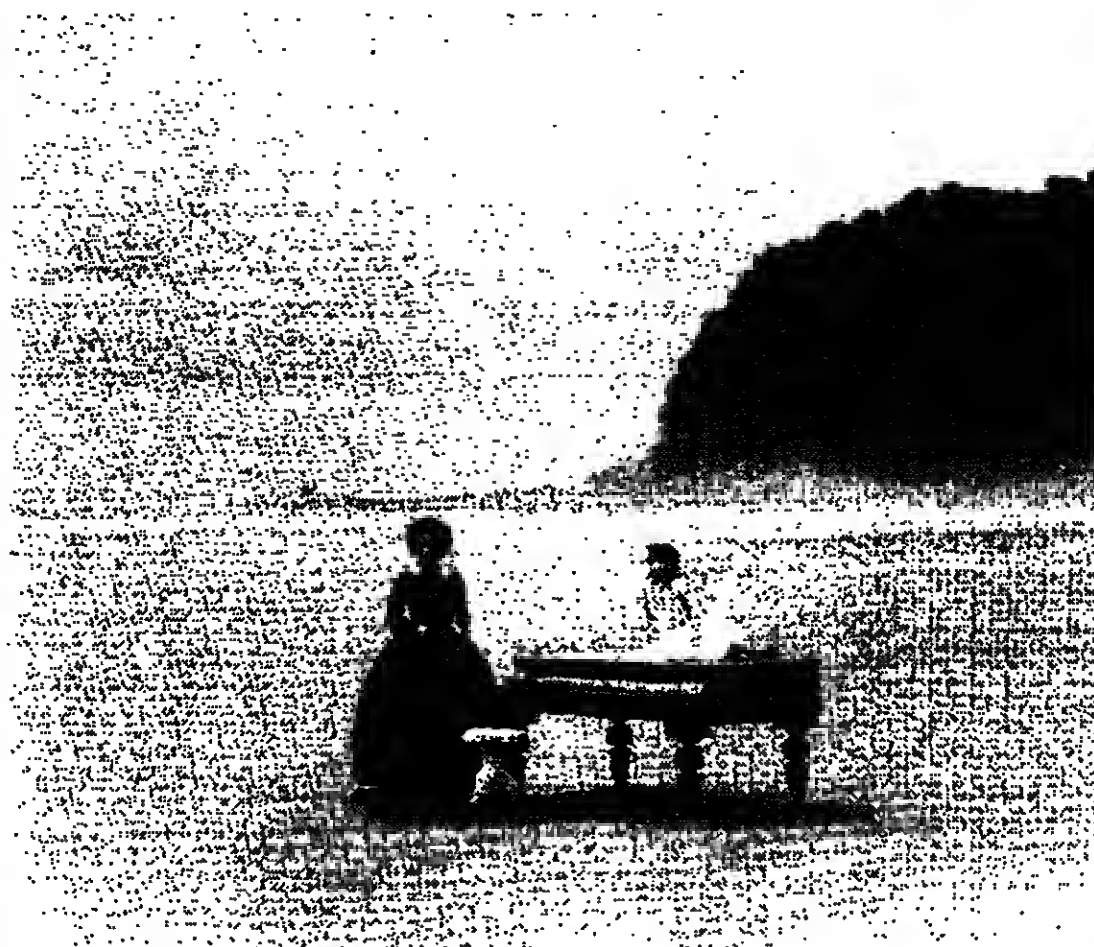
Feelgood movies are not to be sniffed at - or rather, if they are good, they are to be sniffed at. The finest films are kleenex-intensive

charmers which push the viewer through a forest of readily recognisable emotional problems (love, birth, bereavement) before reaching the clearing of the Happy Ending. Feelgood films, as the above list shows, need not be empty-headed. They can be essays in sharp-eyed sentiment, in mirth-as-therapy and in multiple resolution, as secure in their own genre tradition as Shakespearean comedy.

Comedy broad comedy - was something we wanted more of in 1993. But it was not the year's mood. The highlights were Robin Williams running amok as the voice of *Aladdin*'s genie, Bill Murray retuning the truth that "tomorrow is another day" in the time-warped comedy *Groundhog Day*, Billy Crystal as a stand-up comic breaking them up in the Borscht Belt in the underpraised *Mr Saturday Night*, and - well, that was about it. 1994 already looks stronger, with Woody Allen's best comedy in years coming in January, *Manhattan Murder Mystery*, and *Wayne's World 2* arriving to rescue WWI withdrawal symptoms.

But in 1993 darker waters from deeper wellsprings kept gurgling to the surface. The year began with horror and serial killing from a bloodier-than-usual *Dracula* to rabies-inducing modern fables like *Reservoir Dogs* and *Man Bites Dog*. And later, our overworked censor was tested by three British films high on sexual anarchy and political or moral incorrectness: Mike Leigh's *Naked* (rape, misogyny), Peter Greenaway's *The Baby of Macon* (multiple rape, multiple misogyny, plus murder and mutilation) and Andrew Birkin's *The Cement Garden* (masturbation in glorious colour).

What ever is British cinema up to? Responding, I suspect, as much world cinema is today, to an age in which new complex despotisms are replacing the old simple ones. Easy targets like right-wing tyranny



Jane Campion's *The Piano*: a feminist film that flies beyond arid rhetoric into pulsing romanticism, dissolving all the old enmities between 'art' and 'entertainment' cinema

(South Africa) and left-wing tyranny (Soviet Union) are collapsing all around us, so where does freedom of thought and action look for a threat to itself?

To the new villain: liberal-humanist dogma, aka political correctness.

Proper Human Behaviour. The attack on political correctness is a good cause. But of course good causes do not always make good movies. Of these three British films one was an overblown dirge (Greenaway's), one an underblown

mess (Leigh's) and only the third (Birkin's), strengthened by the vertebrae of an Ian McEwan story, had a wit and insight to go with its gleeful iconoclastic impulse.

Ironically, just to prove that *There Are No Rules*, the year's best British feature had more than a touch of the PCs itself: Ken Loach's *Raining Stones*, a tale of salt-of-the-earth Northerners battling for survival with hooeur in post-Thatcher England. But oddball humanity ended up beating down prescriptive humanism.

Ironically, too, the British year ended, at once consolingly and chillingly, with the perfect elegance of a James Ivory film, *The Remains of the Day*. No political controversy here, except about 60-year-old pre-war appeasement matters. And the film brought with it the assurance that when all else fails in British movies - and it often will - Anthony Hopkins and Emma Thompson will always be there to bale us out. Oscars, huzzies?

Two low-budget British films which will not feature in any Oscars ceremony, and which also climbed clear of the PC debate - were Derek Jarman's *Wittgenstein* and *Blue*. The first was the year's most playful biopic, the second a miracle of mind over lack-of-matter. What can you do, Jarman seemed to ask, with nothing but a few coisles on a soundtrack and 76 minutes of solid-blue screen? Answer (if you are Jarman): everything.

A quick sweep around the rest of the world must suffice as an antidote to UK parochialism. The best continental European film was Krzysztof Kieslowski's *Three Colours: Blue*: a character study of bereavement as intense as a surgical probe.

The best low-budget Central American movie was Robert Rodriguez's *El Mariachi* from Mexico: a mock-seriously inventive and funny mock-Western. Best Canadian film: Guy Maddin's Alpine-Gothic pastoral pastiche, *Careful*. Best Far-Eastern

films: Zhang Yimou's *The Story of Qiu Ju* and Ang Lee's *The Wedding Banquet*, two delicately finger-painted films from countries more used to the florid action gesture. Best southern hemisphere movie: yes, you knew we would get back to it - *The Piano*.

Casual nudity, not-so-casual violence and a riotously horrible amputation scene. No wonder my work colleagues give me funny looks. These are all things that do not happen in Victorian costume films: except that they do now, after Jane Campion's. If this cinema round-up has been obsessed with one film more than any other, it is because *The Piano* is the movie of 1993 that points most fiercely, most convincingly towards the year 2000.

It is a "feminist" film that flies beyond arid rhetoric into pulsing romanticism. It is a costume film that dares to see what lies beneath the costumes. It is a movie that takes the "international" casting of the modern musical-chairs movie world - Holly Hunter and Harvey Keitel as Victorian Scots in New Zealand? - and makes it triumphantly work.

Above all, *The Piano* dissolves all the old outworn enmities between "art cinema" and "entertainment cinema": it marries a passionately compelling story to a symbolist landscape and psychological vision as detailed and richly-worked as anything in Bergman. You say you did not like it? Then see it again.

Ten Best Films of 1993:

- *The Piano* (Jane Campion)
- *Blue* (Derek Jarman)
- *Three Colours: Blue* (Krzysztof Kieslowski)
- *Raining Stones* (Ken Loach)
- *Reservoir Dogs* (Quentin Tarantino)
- *The Wedding Banquet* (Ang Lee)
- *Dracula* (Francis Coppola)
- *Careful* (Guy Maddin)
- *Groundhog Day* (Harold Ramis)
- *The Cement Garden* (Andrew Birkin)

Hard times can also be healthy times

Andrew Clark looks at the changing face of Europe's musical establishment during 1993

renegotiated. Gall will be treading a tight-rope with the unions and the Opera orchestra, who have selected all previous attempts at reform. He will try to "cohabit" with the current music director, Myung-whun Chung, who stands to lose most of his power. With Pierre Bergé's motley management team now clearing their desks, the Bastille can be expected to drift for the next 18 months. Gall, who was Rolf Liebermann's deputy at the Opera in the 1970s, knows the problems inside out. His record over the past 12 years in Geneva suggests he has the political and artistic *savoir-faire* for the job. But he will be climbing an operatic Everest.

Musical Germany fell into a state of shock as recession took its toll. From Bielefeld to Bamberg, budgets were chopped by up to 20 per cent. Even the Bayreuth Festival has been forced to trim expenditure. While the long-term effect on morale and artistic vitality is far from clear, some conclusions can be drawn. Germany has not made the mistake of subjecting its myriad orchestras and theatres to a beauty contest: one will disappear. With few exceptions (notably the Berlin Philharmonic), cuts have been applied equally and received stoically.

But there has been a change in perception. High cultural spending has long been taken for granted in Germany. There was unnecessary fat and a lot of waste. One of the most perceptive remarks came from Christoph von Dohnanyi, a former intendant in Frankfurt and Hamburg and now chief conductor of the Cleveland Orchestra: "Hard times can also be healthy times. Theatres must make themselves necessary



Best performance: Danielle Borst as Mireille in Lausanne

to the society which pays for them. Art without some financial pressure is out of the window - as long as the pressure is not so great that it actually hinders art."

Three years after his arrival in Salzburg, Gérard Mortier continues to ruffle feathers. His joust with Abbado over co-production plans for the 1995 Easter and Summer festivals may have ended inconclusively, but it showed that Abbado was not to out-manoeuvre. By forcing the Italian

conductor to fight on behalf of the Easter Festival, Mortier has unwittingly helped to make it more independent of the summer event. Competition will be healthy. Abbado has yet to indicate how far he plans to remould and live up to the Easter Festival, but his record in Berlin suggests that no-one is better able to change perception.

Mortier's conflict with the Vienna Philharmonic, which boiled over again in early

December, is more far-reaching. The orchestra has been resident at the Summer Festival for 70 years; it even has a street in Salzburg named after it. The musicians' threat to boycott the festival after 1995 has to be taken seriously. Mortier considers the Philharmonic conservative and expensive, and is not afraid to say so in public. He awarded last summer's opening concert to a youth orchestra; the highlight of the 1994 concert programme promises to be a Beethoven cycle featuring the Chamber Orchestra of Europe. Mortier reckons the Salzburg Festival can survive without the Vienna Philharmonic - but can Mortier survive his own non-stop offensive on the festival's sacred cows? His programme has been a breath of fresh air. Salzburg needed that - but it may not tolerate Mortier's big mouth indefinitely.

Outside the festival season, Berlin clearly eclipsed Vienna as Europe's musical capital, notwithstanding another excellent Wien Modern contemporary music festival in November. Abbado has rejuvenated the Berlin Philharmonic; Daniel Barenboim has transformed the Staatsoper under den Linden. The fusion of artistic life between east and west Berlin has been slow but not as painful as anticipated. After watching the Schiller Theater go down as a sacrificial lamb, most companies survived. Fears that the Deutsche Oper might not last the decade now look unfounded.

In Munich, the Jonas touch has yet to be properly felt at the Bavarian State Opera, despite a clever public relations campaign since the former ENO general director arrived in September. His real test will be

the July opera festival: can he make it a truly festive event, or will it remain an expensive run-through of repertory? Whatever tricks he pulls out of the bag, Jonas surely realises he needs a more dynamic music director than Peter Schneider.

Looking back over my own tally of performances, I find the following reputations either enhanced or consolidated. Samuel Ramey, whose first Boris Godunov (in Geneva) was imposing without excess histrionics; Nikolaus Leinhardt, whose poetic production of Henze's *Der Prinz von Homburg* - revived at Zurich in the autumn - has almost single-handedly rehabilitated this beautiful work; Sylvain Cambreling, whose conducting of *Simon Boccanegra* was a much-needed fillip for Frankfurt's musical life; the Oslo Philharmonic, which made a triumphant tour of Europe's four major summer festivals with Mariss Jansons; the Bolshoi Opera, whose concert performances at the Lucerne Festival showed a tradition intact; Waltraud Meier, whose courageous *Isolde* at Bayreuth and radiant *Sieglinde* in Berlin vindicated her move into dramatic soprano territory; and Olaf Henzold, the most promising young German conductor.

Declining reputations included Plácido Domingo, whose Bayreuth Parsifal suggested an artist on automatic pilot; Bob Wilson and Ruth Berghaus, who do little more than repeat their own theatrical clichés from one production to the next; and Yuri Temirkanov, who is starting to become a liability for the St Petersburg Philharmonic.

My performance of the year was Gounod's *Mireille* in Lausanne at the end of November, a blissfully natural production of an underrated opera. No stars, no ugliness, no vulgarity, no need to be strikingly original or modern - just pure lyric charm, provocation, atmosphere and a powerful performance from Danielle Borst in the title role.

INTERNATIONAL ARTS GUIDE

BARCELONA

Gran Teatre del Liceu Aterballetto gives performances of a two-act ballet by Armande Anacleto tonight, Sun and Mon. The next opera production is *Mathis der Maler*, opening Jan 20 (tel 412 3532 fax 412 1198).

BOLOGNA

Teatro Comunale The next production is *L'italiana in Algeri*, opening Jan 9 with a cast headed by Bernadette Manca di Nissa, Rockwell Blake and Michele Pertusi. No telephone bookings accepted. For information, call 051-529999.

BONN

Oper A new production of Prokofiev's ballet *Cinderella*, choreographed by Valery Panov, can be seen tomorrow, Sat, Jan 5, 8, 22, 24 and 29. Repertory also includes Cav and Pag, Jenufa and Lortzing's *Der*

Wildschütz (0228-773667) Beethovenhalle Dennis Russell Davies conducts tonight's performance of Beethoven's Ninth Symphony (0228-773668).

COLOGNE

Philharmonie Tonight: Daniel Barenboim conducts Berlin Staatskapelle and Chorus in Beethoven's Ninth Symphony. Sat: Heinrich Schiff conducts Rosini, Sarasate and Beethoven. Jan 9, 10, 11: Karlheinz Stockhausen directs Hymnen. Jan 12: Neville Marriner conducts Academy of St Martin in the Fields (0221-2901) Oper Die Fledermaus is revived on New Year's Day with a cast including Barbara Daniels as Rosalinde and Helga Darnes as Orlofsky. Repertory also includes *Così fan tutte*. Harry Kupfer's new production of Shostakovich's *The Nose* opens Jan 29 (0221-221 8400) Schauspielhaus Repertory over the next two weeks: Günter Krämer's new production of *Fiddler on the Roof*, Shakespeare's *As You Like It* and Chekhov's *The Bear* (0221-221 8400).

DRESDEN

Semperoper Heinz Wallberg conducts Viennese concerts on Fri and Sat. Bernd Weik heads the cast in *Meistersinger* on Sun (0351-484 2323).

FRANKFURT

Alte Oper *My Fair Lady*, the

Broadway musical based on Shaw's *Pygmalion*, runs till Jan 9, except tonight and tomorrow. Tomorrow: New Year's Eve concert of Italian arias and duets featuring Mara Zampieri, Juan Pons and others (069-134 0400) Oper Tomorrow, Jan 8: Die Fledermaus. Jan 1, 3, 7: Sylvain Cambreling conducts concert performances of Schumann's *Scenes from Faust*. Jan 9: revival of Nikolaus Lehnhoff's production of *Lohengrin* (069-236061).

HAMBURG

Staatsoper Tonight and tomorrow morning: Peter Gülke conducts Beethoven's Ninth Symphony. Tomorrow evening: Lortzing's *Der Wildschütz*. Sat: La bohème. Sun: Gerd Albrecht conducts Harry Kupfer's production of Tannhäuser, with Wolfgang Schmidt in the title role. Next Wed and Sat: Madama Butterfly with Yoko Watanabe. Next Thurs: Die Zauberflöte. Next Fri: Fidelio (040-351721).

LONDON

THEATRE ● *Macbeth*: Derek Jacobi returns to the Royal Shakespeare Company in a new production directed by Adrian Noble. In repertory till Feb 29 (Barbican 071-638 8891) ● *Wildcat Dreams*: the London premiere of Alan Ayckbourn's dark comedy. Ayckbourn himself directs this production for the RSC (Barbican 071-638 8891) ● *Cabaret*: Sam Mendes directs one of the great modern musicals,

with Jane Horrocks as Sally Bowles and Alan Cumming as Emcee at the Kit Kat Club (Donmar Warehouse 071-867 1150).

● *The Wind in the Willows*: Alan Bennett's adaptation of Kenneth Grahame's magical animal tale is back at the Olivier, in Nicholas Hytner's award-winning production (National 071-928 2252) ● *Angels in America*: the two parts of Tony Kushner's epic drama can be seen on separate days in the Cottesloe over the holiday period, in repertory with a touring production of Brecht's *Mother Courage* (National 071-928 2252) ● *Moonlight*: Ian Holm and Anna Massey in Harold Pinter's new play about a sour civil servant who rages against his approaching death, unmoored by his family (Comedy 071-867 1045) ● *Medea*: Diana Rigg's performance in the Euripides tragedy won her the 1993 Evening Standard Actress of the Year Award when this production appeared at the Almeida (Wyndham's 071-867 1116).

DANCE/MUSIC Covent Garden The Royal Ballet has choreographies by Ashton and Balanchine tonight and Jan 4. Peter Wright's production of *The Nutcracker* can be seen tomorrow, Jan 1, 3 and 5. Kenneth MacMillan's production of *Romeo and Juliet* is revived on Jan 6. The next Royal Opera production is *Carmen*, opening on Jan 21 with Denyce Graves and Neil Shicoff (071-240 1088).

Coliseum ENO has a new David Pountney production of Smetana's *The Two Widows*, conducted by Adam Fischer and designed by Mark

Thompson, with a cast led by Maria McLaughlin and Anne-Marie Owens (next performances tonight, Jan 6, 8, 12, 15, 18 and 20). Repertory also includes *Lohengrin* and *Die Fledermaus*. Handel's *Xerxes* is revived on Jan 14 (071-936 3161) South Bank Centre English National Ballet presents Ben Stevenson's production of *The Nutcracker* daily except Sundays till Jan 22 (071-926 8800) Barbican John Georgiadis conducts the LSO's annual Viennese concerts on Dec 31, Jan 1 and 2. Travelling Opera presents its popular English-language version of *Die Zauberflöte* on Jan 5, 8 and 7. Metislov Rostropovich gives a cello recital on Jan 6 (071-638 8891).

MILAN

Teatro alla Scala Tomorrow: Nureyev's production of *The Nutcracker*. Jan 3: Luciano Serra song recital. The next opera production is Prokofiev's *Flyer Angel*, opening Jan 14 (02-7200 3744).

MUNICH

Staatsoper Tonight: Hansel and Grisel. Tomorrow: Michael Tilson Thomas conducts New Year's Eve concert. On Saturday Peter Schneider conducts popular works by Johann Strauss and others. On Sunday and Monday John Neumeier's production of *Nutcracker*. On Tuesday Richard Armstrong conducts Tim Albery's production of Peter Grimes, with René Kollo, Donald McIntyre

and Pamela Coburn (089-221316)

NAPLES

Teatro San Carlo Next production is *La traviata*, opening Jan 15 in production conducted by Maurizio Arena, staged by Sandro Secchi, cast headed by Giusy Davinu and Vincenzo La Scala (081-797 2331).

PALERMO

Teatro Massimo The opera season begins on Jan 4 with Roberto Devereux, conducted by Gianandrea Gavazzeni and staged by Alberto Fassini, with a cast led by Denia Gavazzoni Mazzola and Pietro Ballo. Repeated Jan 7, 9, 13, 16, 19, 22 and 25 (091-6053 315).

PRAGUE

Smetana Hall Martin Turnovsky conducts Prague Symphony Orchestra in a New Year's Day concert featuring Tchaikovsky's *First Piano Concerto* (Igor Ardasev) and Janacek's *Sinfonietta* (02-232 2501) Prague State Opera Tonight, tomorrow, Sun, Jan 7, 9: Die Fledermaus. Sat: New Year's Day concert. Next Tues: Janufa. Next Wed: Nutcracker. Next Thurs: Fidelio (02-265353) National Theatre Repertory over the holiday period includes *The Bartered Bride*, *Tha Makropoulos Case* and a new production of Dvorak's *The Jacobin* (02-205364) Estates Theatre Tonight: Die Zauberflöte (02-228659).

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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One burning question for the first few months of 1994 will be how long the current bull market in the New York and London equity markets can continue. Stock market futurologists are two-a-penny, but small investors could well take strategic advice from Peter Lynch, who transformed Fidelity's Magellan mutual fund from a \$18m weakling in 1977 into a \$14bn giant when he stepped down in 1990.

His second book on investment, *Beating the Street* (Simon & Schuster) is full of encouraging anecdotes about how the private investor can outperform the professionals. It is liberally sprinkled with pungent one-liners such as: "Never invest in any idea you can't illustrate with a crayon," or "All else being equal, invest to the company with the fewest colour photographs in the annual report."

Readers will start to believe they are capable of finding one of Lynch's "tenbaggers" - stocks that rise tenfold and make up for the tedium in the portfolio.

The recent successful conclusion of a world trade agreement removed one potential threat to market rallies. But optimism that another lease of life for GATT ensures a new era of prosperity will be tempered by reading *Preparing For The Twenty-First Century* (Harper Collins) by Paul Kennedy, a professor of history at Yale. This fair-minded overview of economic trends, threats to the environment, and growing demographic imbalances suggests humanity faces challenges with which it is ill-equipped to cope. Kennedy concedes that market forces and development in areas such as biotechnology might provide answers.

For a more immediate look at the challenges facing corporate strategists, try *Mass Customization* by S. Joseph Pine (Harvard Business School Press). The book poses an increasingly common business conundrum: how to cater to ever more individualistic customer demands while retaining the cost efficiencies of traditional mass production. Pine argues that companies can - and will be obliged to - do both, but only if they radically restructure their operations to make flexibility and the provision of tailor-made solutions a way of life.

If Pine is visionary, John Kay's *Foundations of Corporate Success* (Oxford University

Owls and moles

FT writers on the best business books of the year

Press) is refreshingly iconoclastic. Taking the axe to fashionable theories about corporate strategy, Kay likens many of the nostrums peddled by business gurus to quack medicine.

He argues that trying to divine why some companies succeed is pointless, because the reasons in each case are peculiar to the companies concerned. Instead of looking for corporate role models to emulate, managers should identify what "distinctive capabilities" their company possesses and use them to differentiate it from competitors. Whether or not you accept Kay's theory, the book is thought-provoking and thoroughly documented.

However, he does not entirely avoid some of the pitfalls he criticises in others - such as compiling lists of star companies. It is by no means obvious that Glaxo, Guinness and LVMH, for instance, will shine as brightly this decade as they did in the last.

Another 1990s success story currently in difficulty is Nintendo, the Japanese video game manufacturer. David Sheff's book, *How Nintendo Zapped an American Industry, Captured Your Dollars, and Enslaved Your Children* (Random House), provides a well-researched and colourful insight into the rise of the company through the late 1980s.

Nevertheless, Sheff, a California-based author, argues that Nintendo made a serious mistake when it delayed releasing a more powerful and advanced video games machine - a lapse which allowed Sega, its arch rival, to secure a foothold in the market.

One role of business books such as Sheff's is to look beneath the gleam of the brightest shiners. Take Procter & Gamble, for example, which carefully cultivates the image of enlightened employer and housewife's friend. In reality,

according to Alecia Swasy, a Wall Street Journal reporter who used to cover P&G, it is a paranoid, sinister institution, obsessed by secrecy and control, which spies on its employees and bullies those who stand in its way.

P&G's notorious secrecy makes it an excellent subject for investigation and Swasy's book, *Soap Opera: The Inside Story of Procter & Gamble* (Times Books), the product of interviews with more than 300 current and former P&G employees, provides important insights into the company's ugly side. She argues that the abrasive management style of chairman Ed Artzt, widely known as the Prince of Darkness, is undermining company morale and prompting a troubling brain drain among senior executives.

How unfortunate, then, that this determined digging is marred by such a one-sided tone, by generalities and argumentative non sequiturs, that the book undermines much of its own credibility.

For writers, as well as companies, manipulating the public's view of the past, present and future may be the key to success: "The only way to build the future is to build it on lies," was the maxim of Armand Hammer, the founder of Occidental Petroleum, who died in 1990 at the age of 92. According to Carl Blumay's chronicle, *The Dark Side of Power: the real Armand Hammer* (Simon Schuster), Hammer rarely departed from that principle.

Blumay should know. He ran Occidental's public relations operations for 25 years, building the public image that Hammer was a business genius and a philanthropist with influence in the Kremlin and the White House. The reality, Blumay says, was a backstage drama of bribes, manipulation, financial losses, a gun-toting delinquent son and a collection of high-cheekboned mistresses on both sides of the Iron Curtain.

Blumay's highly entertaining book says little of his own reasons for helping Hammer mislead the outside world, and his sources are few and hard to corroborate. The question is whether his account can be believed - there is still room for a definitive book telling the whole truth about Armand Hammer. Perhaps next year.

Reviews by Bronwen Maddox, Guy de Jonquieres, Martin Dickson, Philip Coggan, Paul Taylor and Andrew Bolger, compiled by Edward Balls

Sarah Young, a 17-year-old vegetarian at Coombe Girls School in New Malden, Surrey, cooked her own Christmas lunch this year while the rest of her family tucked into roast turkey. "I used to love eating meat, but the more I found out about the way animals are killed and kept, the more I went off it. Now I can't stand the sight of it," she says.

Ms Young is one of six pupils in a class of 25 at Coombe Girls who have given up eating meat. Most have changed their diets because they disapprove of the killing of animals and of factory farming methods.

Surveys suggest the sixth-formers fit the bill for the typical vegetarian - a young, middle-class female living in the south of England. While about 4 per cent of adults are vegetarians - double the figure 10 years ago - the proportion of non-meat eaters among younger age groups is much higher. A report by the Hamley Centre for Forecasting, a market research consultancy, for the Asda supermarket group this year found that 11 per cent of girls aged 15 to 19 were vegetarians. Similarly, a Gallup survey for Realest, a vegetarian food manufacturer, showed that 13 per cent of 16-24-year-old females were vegetarians.

Mr Glynn Steele, youth campaigner for the Vegetarian Society, says he receives 50 to 100 letters a day from under-18 year-olds seeking more information about vegetarianism and nutritional advice.

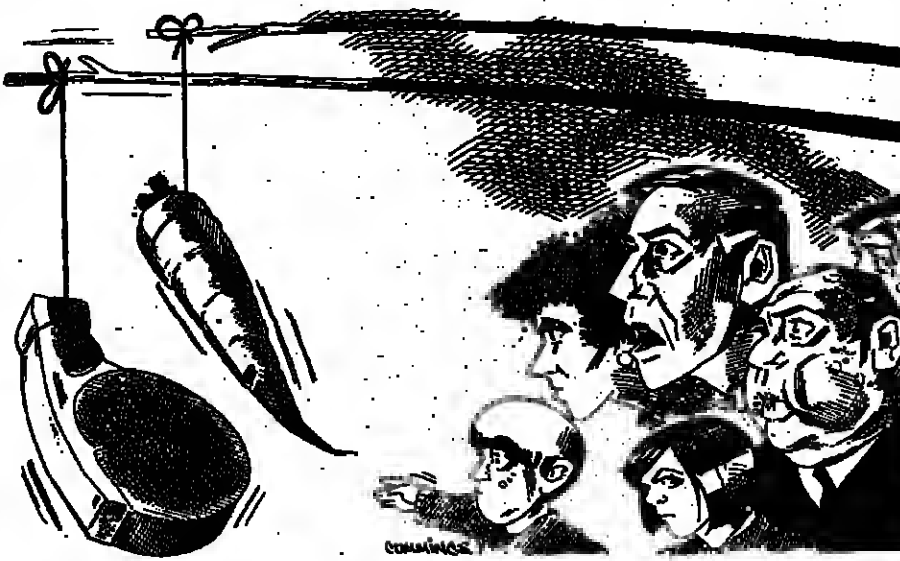
The corollary of the drop in meat eating among the young has been a big increase in the market for vegetarian foods. Mintel International, the market research group, says sales of vegetarian foods, including fruit and vegetables as well as specialist items, exceeded \$1.1bn in 1992, compared with \$0.8bn in 1988. Sales of "meat alternatives" - for instance soy products and Quorn, made from a mushroom-like substance - reached £25.5m last year from \$6.6m in 1988.

In spite of the growing popularity of vegetarianism, the Meat and Livestock Commission, responsible for promoting Britain's meat, takes a surprisingly relaxed view. It is dismissive of the number of teenage girls giving up meat, saying they are doing so as a "protest".

The commission's statistics show total meat consumption has remained steady, or even risen slightly: 65.4kg per person per year to 1990 against 64.2kg in 1970. "I bet a lot of retailers would be delighted to

Chops off the old block lose appeal

Deborah Hargreaves and Alison Maitland on meat producers' efforts to combat vegetarianism



have a product that penetrates into 97 per cent of households," said Mr Ambrose London, commission press and industry relations manager.

But the overall figures for meat consumption disguise a shift away from red meat towards poultry, and a move by consumers towards eating meat as a treat in restaurants rather than as a mainstay at home. Both trends threaten the traditional markets of many meat producers. At the same time, Mr London accepts meat producers are having to adapt to a changing market place, where convenience is the priority.

Government food surveys highlight the growing popularity of meat products such as sausages and minced meat over traditional cuts. Consumption of carcass meat - roasting joints, chops and other cuts close to the bone - has declined in recent years, from 11oz per person each week in 1991 to about 10oz last year. But consumption of other meat and meat products rose to 23.5oz from 22.7oz.

"When people say they are cutting down on meat, they probably mean joints and traditional cuts of meat. Many do not class their sausages or spaghetti Bolognese

as meat," says Mr London.

The Vegetarian Society addresses the commission's arguments by saying many people are rejecting factory farming methods and turning to free-range and organically raised meat. Consumption of the latter increased from £2m to \$3m between 1988 and 1992, according to Mintel. "These are at least steps in the right direction," says Mr Steele.

He believes the spread of

'Many farmers would like to see all vegetarians hung, drawn and quartered'

information about how farm animals are reared and slaughtered is turning more people vegetarian. "A hundred animals are killed every second of the working day in this country. Most are kept in appalling conditions and being killed in a terrible way."

Attitudes are formed early. Adam McNamara, aged 10, gave up eating meat a year ago after seeing a news report about conditions in slaughterhouses. "If a few more people became vegetarians, perhaps

farmers would start being a bit kinder to animals," he says.

At Coombe Girls, sixth-former Clare Langen says she gave up eating meat after she saw her uncle, a farmer, kill a chicken. "I saw him wring its neck and I can't look at meat without thinking about it."

The play on emotions by vegetarian campaigners angers meat producers, who believe the standard of animal welfare in the UK is second to none. "Many farmers would like to see all vegetarians hung, drawn and quartered," says a National Farmers' Union official wryly.

So far, however, the counter-offensive by meat producers against the vegetarian lobby has focused on trying to win the debate over the health aspects of eating red meat. A Gallup poll this year found that 6.5 per cent of adults avoid red meat, against 1.9 per cent a decade ago, while 40 per cent say they are eating less meat. "You've got to separate the myth from the facts of vegetarianism. These young people have got to be told the facts about meat, its nutritional value and how good it is for you," says Mr Martin Burt, a Yorkshire beef farmer. There is a sense of defensiveness: "To tell you the truth, the few veg-

etarians I've seen are not exactly healthy-looking specimens," he says.

Dr Michael Nelson, lecturer in nutrition at King's College, London, a vegetarian, agrees there are some health benefits to eating meat - but not many. "There are probably some advantages in terms of iron intake and vitamin B12, but I wouldn't recommend eating it every day."

He says there can be as much as seven times the amount of saturated fat - which can increase the risk of heart disease - as polyunsaturated fat in some meat, whereas vegetable oils contain up to twice as much polyunsaturated as saturated fat.

In an attempt to prevent the debate flaring further in favour of vegetarians, the Meat and Livestock Commission launched its £1.5m "Meat to Live" advertising campaign two years ago. This was targeted at young women in the 20 to 35 age group who were considering reducing their meat intake or that of their partners.

The glossy adverts featured fit, good-looking men, frolicking in the surf or playing sports, and stressed the health benefits of eating meat. The Vegetarian Society labelled the adverts typical of the "sexist" approach of the commission. "It's saying: Well, women, if you want men to look like that, you've got to feed them meat," said Mr Steele.

The commission, however, claimed the campaign was a success, at least in beginning to arrest the numbers of young women cutting down on meat eating. After a year, the commission surveyed women in the target age range and found that the number who said they were eating less meat had fallen from 15 to 14 per cent. The number of women who planned to cut meat consumption in 1994 had dropped from 7 to 5 per cent.

The commission plans a television, magazine and poster campaign to spring, costing more than £7m, to persuade meat eaters to keep up the habit. "Its objective will be to show that meat is a modern, versatile food," says Mr David Lewis, the commission's communications manager.

Stopping the growth of vegetarianism among young people - and countering fears about animal welfare - will be a much harder task. Most pupils at Coombe Girls, even the meat eaters, felt they could not pass a butcher's shop without averting their eyes.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Applause for festive initiative

From Mr Stuart M Kenny.

Sir, Bah and humbug Mr Harris! Clay Harris's de-bunking of Leeds Development Corporation's Christmas card in his entertaining article ("The folly and the lively", December 23) on corporate greetings cards missed the point.

"We'll give you something to toast this Christmas" is, indeed, the promise, followed by "Great deals on land in Leeds. Prime sites at realistic prices."

In the climate of the £50bn budget deficit, the Financial Times of all newspapers should surely be applauding a development corporation that is not missing any opportunity to entice money into the public coffers.

Anyone wanting to buy land in the capital of the north, do give me a ring on 0638 729700. Stuart Kenny, director of development and marketing, Leeds Development Corporation, South Point, South Accommodation Road, Leeds LS10 1PP

Advertising is not harmless

From Mrs Peta Bainbridge.

Sir, I have just read your most interesting article about the advertising of toys, particularly on television ("Harnessing pest power", December 23).

I think the statement by Mr Peter Waterman, vice-president of corporate affairs at Hasbro, that "advertising to children is an entirely harmless activity" is the most cynical I have read in a long time. All over Britain parents are being made to feel guilty because they cannot spend huge sums or are building up huge debts that will cripple their lives for months to come.

As a teacher and mother, I happen to think that this is extremely harmful. Britain obviously lags behind other countries in controlling this insidious exploitation. Peta Bainbridge, 19 Priests Lane, Brentwood, Essex CM15 8BU

In defence of conglomerates

From Mr Andrew Campbell.

Sir, Your comments on Williams Holdings ("The first fruits of a strategy change", Lex column, December 23) display a lack of understanding of diversified companies. Why does Lex refer to Williams' "sprawling empire" when BTR, recently voted Britain's best managed company, has more than 1,000 businesses across a broader range of industries? Why does Lex say that because Fairley, Williams' bridges business, "generates erratic profit" it "needs a large parent"? Does this mean all companies with volatile earnings should have large parents? Why is it implied Williams is doing the

right thing "with its transition from a conglomerate to a more focused group of businesses"? These comments misunderstand how Williams has grown from nothing to a market capitalisation of nearly £2bn in less than ten years. It has been a specialist in turning round and upgrading businesses through expert parenting of manufacturing and operations. Similar to BTR, but with a more hands-on approach, Williams has exploited situations where existing managers are underperforming. Why then is Nigel Rudd, Williams' chairman, changing strategy? Is it because there are few underperforming opportunities, or

because there are more opportunities in "building products and fire and safety"? Moreover, why does Rudd say the business he is selling "is better owned by other people"? It is the answers to these questions that will help us understand whether or not Rudd is doing the right thing.

We need to know what Williams' parenting skills are and why Rudd believes he will have an advantage in building products rather than in engineering or electronics. Andrew Campbell, director, Ashridge Strategic Management Centre, 17 Portland Place, London W1

Local should mean local

From Mr Peter Mandelson MP.

Sir, My observation of local government re-organisation to Cleveland leads me to believe you are wrong in arguing for two-tier, strategic and service authorities ("Local difficulties", December 22).

The evidence suggests that by moving to unitary authorities substantial administrative savings can be made, producing a lower tax burden for individuals and businesses. Most services will benefit from being provided by a single authority. The overlap between authorities leading to public confusion and duplication of bureaucracy can be removed. The question is, should the move to single-tier authorities be upwards to the "strategic" level, or downwards to the public.

You argue, unconvincingly, for both. Surely the most desirable level of local government corresponds to its principal role - provision of practical and personal services to the local population and to groups in particular need in the community. You can argue about economies of scale, pointing to the creation of large, mega-authorities such as the Teesside-wide authority being advocated by some to replace Cleveland County Council. But the logic of "local" services suggests that, as far as possible, they should be delivered by councils which are elected by local people and remain as near, accountable and sensitive to the needs of those people.

What, then, should be the "strategic" dimension at local government? I think it is wrong to argue, as you do, that this can be genuinely accommodated by a council the size of a county or slightly larger. Cleveland County Council, for example, adds little in any economic or other planning sense to what the district councils are doing among themselves already or what they could achieve through shared arrangements with much less signifi-

cance than at present. A truly strategic dimension might then be reflected in a regional level of government but still with local services provided by unitary authorities which mirror local communities and public preferences. Where possible, that is the downwards direction in which reorganisation should go. Peter Mandelson, House of Commons, London SW1A 0AA

Union changes are welcome

From Mr Alan Jinkinson.

Sir, Contrary to the assertions contained in your report on the TUC ("Specialist unions warned over merger danger", December 23), I welcomed warmly the TUC's general secretary's radical proposals for reforming some of the TUC's structures. I made no comment about the composition and powers of the proposed new executive committee.

I did question the very limited time available for consultation with constituent unions. Further, I said all unions, including Unison, would want to be assured there were adequate processes, when required to consider their members' interests. This means, for example, facilities for the TUC to bring together unions representing members in local government and the National Health Service.

I am not a dinosaur. I am a wholehearted advocate of radical change. Were that not the case, I would still be general secretary of Nalco. Alan Jinkinson, general secretary, Unison, 1 Mableton Place, London WC1H 9AJ

Bank not left homeless if it never had a home

From Mr P J Pace O'Shea.

Sir, I do not think that your headline, "Forerunner of European central bank is left homeless" (December 29) is true. It would have been left homeless

if it had a home and then left it, for whatever reason, with nowhere to go.

I suspect there is a little wry amusement at the bank's initial difficulties in that head-

line. But we have lost this one for good and it would be best to learn to live with it. P J Pace O'Shea, 46 Fellows Road, London NW3 3DX

1994 whether forecast.

Special New Year's Day edition. Weekend FT.

On Saturday, January 1 the Financial Times will publish a special issue of the Weekend FT, "News from the New Year," which looks at the year ahead.

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FINANCIAL TIMES

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Thursday December 30 1993

Banesto and after

Back in July Spain's fourth largest bank, Banco Español de Crédito (Banesto), raised nearly \$700m from international and domestic investors. The offer, to which the highly respected US bank J.P. Morgan lent its imprimatur, was a notable success. Yet within less than five months Banesto has had to be rescued by the Bank of Spain. Its directors have this week been unanimously hoisted out of office and the bank's management put in their place to restructure the institution. J.P. Morgan's name is a little less illustrious. Such an abrupt reversal of fortune and reputation is a matter of concern not only to investors in Banesto, but to the wider financial community.

As yet, details of the deterioration in Banesto's finances remain scarce. To that extent, all conclusions must be provisional at this stage. Yet it is clear that the scale of the increased provisions required to cover the fall in the value of its assets would leave it substantially in breach of the central bank's capital adequacy requirements. That is the only possible interpretation of the Bank of Spain's decision to provide a guarantee of liquidity in domestic and foreign markets. The more difficult questions concern the speed of the deterioration, and the failure of J.P. Morgan to see what was coming.

Representatives of the US bank reportedly described Banesto as a low risk investment. Yet by conventional banking standards its balance sheet was fundamentally unsound. As the owner of Spain's biggest private sector industrial holding company, it was excessively exposed to fluctuations in the value of its share stakes in large Spanish companies. Indeed, the formal documents to the flotation in July emphasised that a majority of the companies in this industrial portfolio were in basic industries characterised by high fixed costs and volatile earnings.

China unifies exchange rates

The precise timing of China's decision to unify its exchange rate seems to have come as a surprise to some observers. What is more, the full implications remain vague. None the less, the decision is welcome, not only in itself, but for the indication it gives that Mr Zhu Rongji, vice-premier in charge of the economy and central bank governor, is able and willing to push needed reforms ahead. These must now be pushed further, in a number of directions.

Unification of the exchange rate was a logical step. The only question was when it would be taken. At present, China has two exchange rates: an official rate of 8.3 yuan to the dollar and a floating rate of 10.5. The latter is not fully unified, however. It is set in a network of 100 regional "swap centres", which were established in 1987 and remain incompletely linked to one another.

Until now companies had to sell 20 per cent of their foreign exchange earnings to the state at the official rate, while the government had the right to buy another 30 per cent at the swap rate. The rest could either be retained or sold directly or indirectly, via so-called foreign exchange entitlements, in the swap markets. Those markets are far from free: not only does the government use the 50 per cent of foreign exchange it still controls to influence the rates, but access to these markets is also restricted.

Economic liberalisation

Despite these limitations, the introduction of the swap markets has made an important contribution to economic liberalisation. Already some 80 per cent of current account transactions are done at the swap rate. The official rate is used to tax exporters and foreign tourists. It also taxes foreign investors, who had to register capital in new ventures at the official rate, but were required to repatriate profits at the swap rate. At the same time, the official rate is used to subsidise imports by government-owned enterprises, although the latter have been increasingly forced to use the swap market.

Unifying the exchange rate will eliminate an important source of economic inefficiency, promote China's integration within the

fall in the value of these investments will no doubt prove to be one of the factors that has led to the rescue.

Another will be the deterioration in the loan book due to the recession in Spain. While Banesto is predominantly a retail bank, it is heavily exposed to the small and medium-sized businesses that suffer disproportionately in any downturn. Moreover, an aggressive management had expanded the loan book very rapidly at the peak of a protracted and euphoric economic upturn. This ill-timed dash for market share inevitably leaves Banesto in weaker shape than many of its rivals.

Warning signs

Other tell-tale warning signs were the readiness of the management, under Mr Mario Conde, to alienate the Bank of Spain, which would have preferred Banesto to find a partner in one of the country's more healthy banking groups. Mr Conde's reluctance to accommodate an institution that wields draconian power over the Spanish banking system cannot have helped his case in today's circumstances.

While there is a widespread suspicion that the Bank of Spain has treated Banesto with unusual severity, there must also be a question mark over the quality of banking supervision. Banesto was subjected to an inspection of supposedly unusual rigour a year ago, in the light of this week's events, it looks as though the inspectors may not have been quite as rigorous as they should have been.

The problems of international investors in Banesto are probably best seen as an inevitable part of the learning process in cross-border investment. Banking practice in continental Europe, despite its apparent profitability, is not always quite what it seems to the foreign observer. Spanish accounting is notoriously opaque and the worth of an audit report, despite the familiarity of an internationally known company's name, can vary substantially from country to country. There will be more upsets in cross-border banking deals, just as there will be financial scandals in emerging stock markets. The surprise with Banesto lies more in the blow to J.P. Morgan's reputation than the rescue of the bank itself.

global market economy and shift management of the economy further towards uniform, market-oriented instruments and away from administrative discretion. Nevertheless, the move could have disruptive consequences.

The US might, mistakenly, see a reduction in the official rate as predatory. The shift might also be condemned as inflationary, though effects on prices are, in fact, likely to be negligible. More significantly, the move will increase financial pressure on loss-making state enterprises and the government itself, for which improvements in tax collection will become still more important. But making subsidies more transparent may also make it politically easier to reduce them.

Administrative reforms

The fundamental question, however, is how far the implications have been thought through. At present those requiring to convert foreign exchange into yuan, or vice versa, have only a limited idea of how the system - which is to go into effect in just two days time - is to work. The International Monetary Fund is already involved in a programme to integrate 18 leading swap centres. There are also efforts under way to create an inter-bank foreign exchange market. Such administrative reforms must now be accelerated.

Also urgent will be elimination of most restrictions on imports, important for China's accession to the General Agreement on Tariffs and Trade, and further liberalisation of access to foreign exchange. Last but not least, orthodox monetary policy will become the principal tool for management of the exchange rate, something the authorities must never forget. China is becoming a normal market economy. This means development of a market-oriented monetary system. But to be effective it must be backed up by fiscal reform and fiscal restraint.

China's reforms always come in a higgledy-piggledy manner. This is another example. But it does mark a significant stage on the way to go, but the direction remains clear, as does the stunning economic success that has attended its journey this far.

As predictions went, it was one of the less reliable of 1993. Mr Mario Conde, the flamboyant chairman of Spain's fourth-largest bank, was explaining why investors should trust him. Spain's central bank had just inspected the books and told Banco Español de Crédito (Banesto) to reclassify Pral10bn (220,000m) of loans as bad. There was nothing left to fear, he argued.

"If I was an investor looking at Banesto after this, I would think there were no asset quality surprises after such an intensive inspection. Nothing is going to happen like it happened in 1987 when we had to reclassify Pral10bn of bad debts," said Mr Conde. He was speaking in September, on Tuesday, his prediction was brutally disproved.

The Bank of Spain moved swiftly this week when shares in Banesto tumbled because investors' fears were growing over the bank's loan portfolio and its equity holdings in a wide range of industrial companies. It briskly sacked Banesto's board - including a vice-chairman of J.P. Morgan, the US corporate bank which has handled Banesto's raising of capital - and replaced them with its own management. It also said Banesto would be restructured using money from bank deposit insurance funds.

Such actions signal the biggest state intervention to prop up a private bank since the Scandinavian banking crisis of 1991. Banesto's size alone means it will have repercussions for both Spanish banking and the American investors who put money into it on the advice of J.P. Morgan. Banesto is the 96th largest bank in the world, with assets of \$61bn.

But Banesto's collapse has significance beyond its size. It poses questions about the ability of banks with large industrial cross-holdings to survive recessions. For instance, the Japanese banking system, probably the most troubled in the world at the moment, has been affected not only by asset price falls, but by a drop in the value of securities holdings.

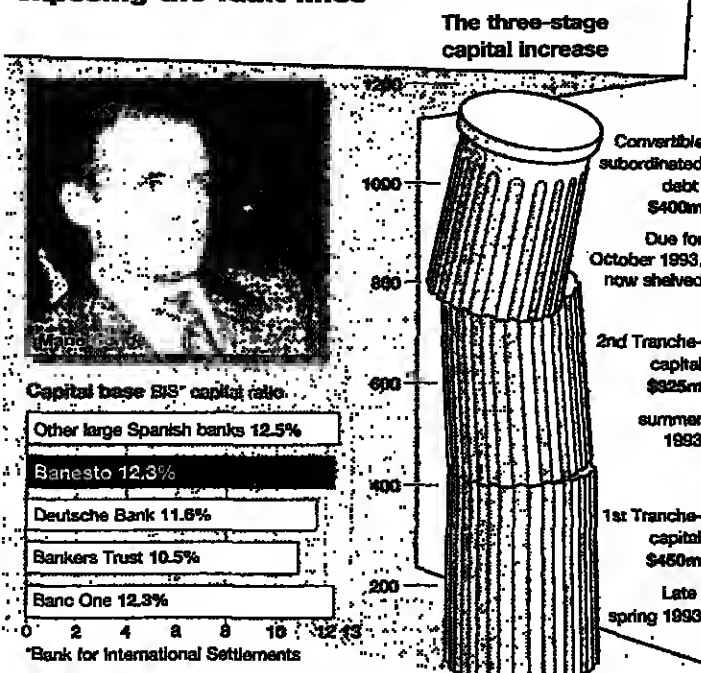
Banesto's fate is also a pointed reminder of the difficulty of assessing the value of Spanish banks. This is both because of their webs of cross-holdings, and because of the opaque nature of Spanish accounting. American investors relied on J.P. Morgan to point the way through these complications to the underlying potential of Banesto. Some may feel their faith was misguided.

Finally, the intervention places a question-mark over the apparently

John Gapper examines the global and domestic implications of the failure of Spain's fourth-largest bank

Tarnish ruins the rosy picture

Banesto: exposing the fault lines



recovery. Spanish retail banks have comparatively high margins because of the conservatism of depositors. It is also a more concentrated market than some others, with the top five banks possessing a 30 per cent market share. These factors reinforced Banesto's attractions.

Investors seized their opportunity when J.P. Morgan managed a two-part equity-raising exercise last May. They bought some \$700m of new equity in Banesto, which was used to restore the bank's capital to the levels of competitors. Morgan took \$175m on behalf of its Corsair fund, which was set up in the US to

buy the shares of just such under-valued banks.

But Banesto turned out not to fall into the category of a steadily recovering bank after all. The first clue to what lay ahead came a week ago when it shelved a \$400m convertible bond issue planned to complete the \$1.1bn capital-raising exercise. But there were several reasons why it was difficult for investors to discern the problems earlier.

Despite J.P. Morgan's vision of its future, Banesto was not purely a retail bank. It controls both the 2,300-branch bank and a holding company with stakes in real estate, mining, and gases companies. Ban-

esto has been trying to cut such holdings both to meet a Bank of Spain regulatory limit, and to release capital to use in banking.

However, divestment could mean losses for Banesto if it holds the stakes in its books at a higher value than it could sell them for. This is why banks with similar equity holdings are at greater risk from recessions than those which only hold loans. It is unclear how much the Bank of Spain was worried by Banesto's cross-holdings.

Mr Conde has been at odds with the political and financial establishment of Spain since he took over Banesto at the end of 1987. Some of his supporters argue that the Bank of Spain has been more strict with Banesto than others as a result. Controversy over Mr Conde made it more difficult for new investors to assess the management's competence.

Banesto has admitted to painting a rosy picture of itself in the past. Speaking in September, Mr Conde said that he was unwilling to tell shareholders the whole truth about Banesto's plight in 1987, because "they would have left the bank". The fact that Mr Conde had been economical with the truth in the past made it harder to accept his words at face value.

These factors meant that investors placed more weight on the judgment of J.P. Morgan's executives. Mr Barrett says that several investors in this year's capital issues told him they had initially taken the view that "what is good enough for J.P. Morgan is good enough for us".

Mr Mendonzo, J.P. Morgan vice-chairman who was on Banesto's board as a representative of the Corsair fund, emphasised in September that J.P. Morgan had examined Banesto closely because of such complications. "We spent a tremendous amount of time convincing ourselves that there was substance and truth there," he says.

Banesto's failure could limit the attraction of Spanish companies as investments, since investors may conclude that Spanish accounting principles and company structures are not clear enough to let them assess risks properly.

Beyond Spain, it also reinforces questions over the degree to which European banks with holdings of debt and equity are so enmeshed in a country's industrial structure that they are excessively vulnerable to recession. Investors who have regarded the recovery of European banks as a racing certainty may at least pause for thought.

WILD RIDE COMES TO ABRUPT HALT FOR SPANISH MAVERICK

Mario Conde has, so far, had a knack for landing on his feet. Few had heard of him six years ago when he and a friend sold their pharmaceutical company Antibioticos to Montedison for Ptas5bn (€230m).

The money from that transaction bought him a stake in Banesto and, very quickly, he became president of the board. With it came a wild ride as one of the biggest beneficiaries of the economic boom that transformed the country after it entered the European Community in 1986, and now as one of the losers of the subsequent recession.

By character, Mario Conde is far from the epitome of an international banker. He brushes his hair back so that it curls slightly in the nape of his neck. When he first got to Banesto he spoke English with an English accent. Gradually it changed to an American twang, reflecting a change in teacher but also in priorities as he became more enchanted with the new world.

Critics doubted whether he would make an effective banker because his background had been as an industrialist. But his answer was that switching from industry to banking was little more than a change of management challenges.

He achieved some big successes at Banesto, unravelling the chaotic interweaving shareholdings held by the bank's old squabbling owning families into a reasonably recognisable set of institutions.

But he was never quite understood by Spain's financial establishment. He sailed a boat sponsored by Banesto and flew around in a private jet and bought himself a vast finca, or ranch, to hunt on. However he remained a very private person.

His abrupt dismissal as president of Banesto on Tuesday by the Bank of Spain will

have shocked him. But he has a personal interest in fighting back hard: he had recently invested \$50m of his own money in Banesto.

The son of a Galician customs officer, Mr Conde, 45, won one of the highest marks ever in national law exams in 1973. He is a Freemason who inspires loyalty among his staff.

In spite of that, he had a habit of losing friends and potential allies. He alienated the Bank of Spain by, for instance, criticising auditing practices demanded by the central bank, and could be frustratingly vague about what he wanted to do with Banesto. When asked whether he would sell all his industrial holdings or not, he would reply only: "Everything has its price."

Conde's aside from trying to run a troubled bank - was to allow himself to be construed in the serious media as a man with a political brain, a possible white knight for the political right wing once Prime Minister Felipe Gonzalez leaves office. It meant he lacked friends in the government. He took Banesto into big media investments but found himself blamed for attacks on the government by newspapers he controlled.

Perhaps his darkest moment before Tuesday was in 1989 when he became involved in a Machiavellian tussle to merge Banesto with Banco Central, a large competing bank, and thus rid Central from the grip of "Los Albertos", two equally hard nosed entrepreneurs who were threatening to take over Central.

Los Albertos eventually walked away from Central to become prosperous future owners of the smaller but healthier Banco Zaragozano, a fate Mr Conde might have wished had been his.

Peter Bruce

US BANK TRIES TO DISTANCE ITSELF FROM TROUBLED PARTNER

J.P. Morgan has enjoyed a reputation for quality which is the envy of other US bankers. So it was with interest - and not a little glee - that other US financiers have watched the US's most prestigious bank become embroiled in Banesto's difficulties.

In hard financial terms, the Spanish bank's problems will have little impact on Morgan. It is believed to have invested \$17.5m indirectly in the bank through the Corsair fund, a specialist limited partnership it created this year to invest in bank stocks. However, the fact that Morgan, with its blue-chip reputation, had become so closely linked with the bank will have far greater repercussions.

Banesto, an outsider in the Spanish banking establishment, did not appear a natural partner for Morgan. "This was not a Morganesque institution," said Mr George Salem, banking analyst at Prudential Securities.

A second concern provoking questions has been the extent to which Morgan allowed itself to become enmeshed in Banesto. This, in turn, is likely to prompt questions about how the bank handled possible conflicts of interest arising from the relationship.

In February Corsair, a Morgan-sponsored bank "vehicle fund", took a \$175m stake in the bank. Such funds aim to buy shares in troubled companies which they believe are undervalued and benefit from a share-price rebound. Then, during the spring and summer, Morgan led international equity issues for Banesto totalling more than \$700m. And Mr Robert Mendoza, one of four Morgan vice-chairmen, had a seat on the Banesto board.

Morgan appeared yesterday to be trying to distance itself from Corsair. One financial institution which made inquiries of Morgan yesterday said that the bank had disclaimed responsibility for the fund. "They bragged

about it when they launched it, so they can't disown it now," the institution said.

By denting Morgan's reputation, the Banesto debacle could hurt its attempts to build an investment banking business. Morgan has been in the vanguard of US commercial banks seeking to extend their involvement into the capital markets. It has only a small presence in the US underwriting business, handling 3.2 per cent of corporate debt issues and 1.5 per cent of equity issues this year, according to Securities Data. But its presence in US capital markets is still more substantial than any other US commercial bank.

Institutions like the GE pension fund and Northwestern Mutual Life, the eighth-largest US life company, were large holders in Banesto. The bank's problems, coming so soon after Morgan protected its shares, are likely to harm the bank's relationships with such prominent US institutions.

While US investors are thought to have been among the biggest buyers of Banesto's stock in two rights issues led by Morgan this year, several institutions said Banesto's problems would not affect their involvement in international equity markets. The GE pension fund, with about 1.5 per cent of the bank's stock, said it would not change its plans.

A portfolio of European bank stocks would still show a considerable gain this year even after the Banesto problems, said Mr John Hocking, an international portfolio manager with Fidelity Investments, the biggest US mutual funds group.

"Clearly retail investors are throwing money at a lot of things - most recently it's been the emerging markets funds. Those are the things that really terrify me," he added.

Richard Waters

United in poverty, divided by fear



NEW DELHI

Rizwana Begum clutches the youngest of her five small children in her arms and says "My husband is dead. I must bring up the children alone. What else can I do?" Mrs Rizwana's husband was killed a year ago when a mob

broke into their hut in Seelampur, a slum in north-east Delhi, and dragged him. His throat was slashed and his body set alight. "I saw him being pulled out," says Mrs Rizwana. "I did not see him alive again."

Mrs Rizwana, who is aged about 30, recalls the most frightening day of her life almost without emotion - even for her, time has done its work, easing the memory of her husband's death.

So it is in much of the rest of Janata Colony, the poorest corner of Seelampur, where two-thirds of the residents are Muslims living in huts crammed into narrow lanes. A year ago, after the sacking of the mosque in far-off Ayodhya by Hindu militants, Hindu mobs went on the rampage in Seelampur burning and looting. Muslims fought

back, but in vain, because, they claim, the mainly Hindu police sided with the rioters. All 23 dead were Muslims, as were 22 of 23 seriously injured. The bulk of the 300 homes and workshops destroyed belonged to Muslims.

Today, like Mrs Rizwana, Muslims and Hindus alike try to carry on with life. Living cheek-by-jowl, sharing the same paths and the same water pumps, they can hardly do otherwise. Poverty unites them in a way that even the most enormous injustices cannot destroy. A few hundred people fled from their homes immediately after the riots, but almost all returned in a few days. They had nowhere else to go.

Yet there are no longer people living at peace with each other - or with themselves. There is a fear, especially among Muslims, that the militants might return. Mr Anish Ahmed, a 37-year-old Muslim tailor, says: "Right now things are fine. But every time a firecracker goes off we worry."

The Muslims say they are not scared of their Hindu neighbours, but the only of the outsiders who led the mob last time and could come back. Local Hindus also say that the trouble-makers were all strangers. They add that they did not see who they were or what they did. "We went

away to hide," says Mr Tara Singh, a plasterer, and his Hindu friends nod their heads in agreement.

Among the outsiders blamed for stirring trouble are activists from militant Hindu organisations led by the Bharatiya Janata Party, which has made great strides in popularity in the past decade. Mr B.L. Sharma, the B.J.P. MP from East Delhi, who has spent his life promoting Hindu militancy, denies that Hindus have been stirring trouble in Seelampur. Muslims suffered in the riots, he says, because they took to the streets against the police - a version of events rejected by local people. Hindus and Muslims alike. "Muslims must learn to respect the sentiments of the Hindu majority. Then they can live in peace," says Mr Sharma, resorting to the sophistry employed by his party's militants.

Fortunately for peace in Seelampur, the B.J.P. fared badly in the recent state-level elections in northern India. Mohan Lal Khosla, a 50-year-old tailor, says: "Here, even the Hindus voted against the B.J.P. How can we fight with Hindus when we are all neighbours?"

Walking around Seelampur, it is difficult to make out which houses

were damaged - new ones have gone up in their place and it does not take long to build a two-room hut. Also, the heat, sun and dust soon remove the veneer of newness from these rough-built houses. Even in the timber yard, scene of the worst damage a year ago, most burnt-out workshops have been rebuilt. In place of the smell of blackened timber there is the fresh scent of new-cut wood.

Almost everywhere people are sitting in the street, working - tailors, upholsterers, carpenters, hatters and collectors of cowdung - crammed into the narrow lanes. Some earn as little as Rs5 (€0.16p) a day - just enough to survive on bread, rice and vegetables.

Poverty makes riot compensation a big issue. A handful of people whose close relatives were killed, including the widow Mrs Rizwana, have received one-off grants of up to Rs200,000. But those who suffered damage to property claim they received far less than they lost. A tailor with sewing and cutting machines in his workshop asks: "What is Rs30,000 compensation for those who lost Rs2m?"

The People's Movement for Secularism, a charity working in Seelampur, says just 35 of 386 claims made to the government have been

settled. Those still waiting include the families of 12 of the dead - their claims are disputed because the victims were killed by police bullets. Such fatalities are classified as rioters and are ineligible for compensation - unless their innocence can be proved, a difficult challenge when few witnesses are ready to come forward.

Mr J.K. Sharma, the district commissioner of police for Seelampur, says he wishes the government would settle the claims more quickly. "The law-and-order situation now is fine," he says. Autumn, with its many Hindu and Muslim religious festivals, passed without incident. "If people were still angry we would have seen protests. But there weren't any."

Mr Abid, the Muslim tailor, says that no matter what the injustices, life has to go on. "I've lived here 16 years. I'm staying and I will bring up my children here." Mr Abid is captain of the local cricket team. He has five Hindus and seven Muslims in his squad. Some 200-300 spectators come to matches. Hindus and Muslims. There has never been any trouble, he says, and he hopes there ever will be.

Stefan Wagstyl

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FINANCIAL TIMES

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Index of leading indicators up 0.5% in November

US economy heads for a healthy start to 1994

By George Graham
in Washington

The US economy is poised for a healthy start to the new year, according to the administration's principal measure of future economic prospects.

The index of leading economic indicators rose by 0.5 per cent in November, the fourth consecutive monthly rise. At the same time, sales of existing homes rose in November by 2.9 per cent to record annualised rate of 4.31m homes, according to the National Association of Realtors.

The main components in the rise in the economic index were lower claims for unemployment benefits, increased orders for new commercial buildings and business equipment and higher prices for raw materials, the Commerce Department reported yesterday.

The department said eight of the 11 elements of the index were

pointing upwards in November, including more requests for building permits, stronger orders for consumer goods and longer average working weeks.

The index of coincident indicators, intended to mark the pace of current economic activity, rose 0.5 per cent in November, also the fourth consecutive monthly rise.

Mr Bob Eitro, president of the realtors' association, said buoyant home sales were driven by buyers' increased confidence in the economy.

"Consumers are reading the market accurately, knowing that conditions are prime for buying. An increase in sales on this magnitude is a substantial vote of confidence in the economy," he said.

The realtors' survey showed home sales rising strongly in the midwest, east and south last month, but falling in western

states. The median house price rose fractionally on the month to \$106,800, 4 per cent higher than a year earlier.

Surveys such as the Conference Board's consumer confidence index, published earlier this week, show that the almost unrelenting strength of recent economic statistics has produced a surge of optimism in the US. Sales indicators show that feeding through to purchases of expensive items such as homes, household appliances and cars.

The steady diet of good economic news has encouraged some economists to predict growth rates for the whole US economy of more than 4 per cent in the fourth quarter. Although that pace is not expected to be sustained in the new year, most economists believe steady growth of around 3 per cent is likely in the first six months of 1994.

Eurotunnel drops £1bn suit against UK and France

By Andrew Baxter in London and John Riddling in Paris

Eurotunnel is to drop most of its estimated \$500m-£1bn (\$745m-£1.5bn) of claims against the British and French governments in return for winning an extra 10 years on its concession to operate the Channel tunnel. The concession will now end in 2062.

The deal between Eurotunnel and the two governments, announced last night, clears the way for Eurotunnel to complete negotiations with its bankers for additional funding to cover start-up costs for the tunnel, which opens in March.

"It's a deal, and yet another settlement of an open issue, about which we can be pretty pleased," Eurotunnel said. "This largely resolves the outstanding issues between the French and British governments and Eurotunnel," a French government official said.

The cost of the tunnel has risen from \$55m in 1987 to about £10bn, partly because of the costs incurred by Eurotunnel on safety, security and environmental measures demanded by the two governments.

Eurotunnel had intended to make claims against them to recover the costs. "In the past six years the tunnel has evolved significantly, and in costly fashion," it said.

Under a deal agreed in principle on Christmas Eve and signed yesterday, Eurotunnel's concession is extended from 56 to 66 years, running from enactment of the Channel Tunnel Act in 1987.

In exchange, Eurotunnel will drop most of its intended claims. It would still have to find the whole cost of the project.

The agreement should facilitate, and is conditional upon, Eurotunnel's raising enough finance to start operations. Eurotunnel has raised about \$9.5bn, but has said it needs at least another £1bn, mainly to cover debt servicing before the tunnel begins to break even on a cash basis in 1998.

It has to reach agreement with its banks by January 4 on the financing plan for the £1bn, of which at least \$500m should come from a rights issue in spring 1994.

See Lex

THE LEX COLUMN

Banesto's capital question

The Bank of Spain's intervention at Banesto will have raised the temperature of many Milwaukee insurance fund managers to boiling point. Those US funds which helped sink \$700m of rights issue money into Banesto this summer will be appalled by the sudden turn of events. Investors were persuaded by J.P. Morgan that once Banesto's complex web of cross-shareholdings had been untangled, a strong retail bank would emerge boasting good recovery prospects. Banks have certainly been European flavour of the year, as the successful privatisation of Argentina among others illustrates.

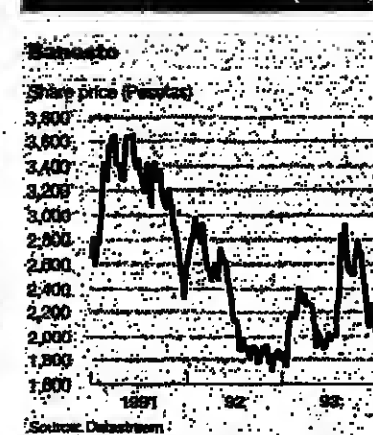
Banesto's fall seems to owe more to its own shaky loan portfolio and peculiar collection of industrial assets than any general weaknesses in the Spanish banking system. Yet there remain many unanswered questions - not least why the Bank of Spain chose this moment to intervene. Banesto had long languished below the capital ratios of other Spanish banks and the Bank had been monitoring its financial health for some time. This raises the suspicion that there is some more specific bad news to come. J.P. Morgan's seeming ignorance is particularly baffling, given its seat on the board. It invested some of its reputation in Banesto along with its own and its clients' money. There will be red faces aplenty at the time the bank is sold.

Banesto cannot hope to continue operating in its present form. The new management will have its work out on rationalising overhead costs to squeeze cash flow and seeking buyers for its industrial businesses. The most likely outcome is that a single Spanish bank, such as BBV, or a broader consortium will eventually assume control. The reaction of the Madrid stock market in dumping shares across the sector shows how nervous it is about the prospect.

UK housing

As has become the tradition of the season, forecasts abound about the housing market. Some estimates suggest prices in prime areas of London may rise by 25 per cent next year. Other predictions point to double-digit growth. In relative terms, houses are more affordable than for decades. The average house price to earnings ratio is at the lower end of its historical range. Interest rates could fall further while unemployment is drifting downwards. That will reinforce the confidence of prospective buyers with the

FT-SE Index: 3462.0 (+49.7)



demographic squeeze doing the rest.

But that is perhaps to underestimate the pressure on real incomes that Mr Kenneth Clarke has administered in his Budget. Earnings inflation cannot be counted upon to stimulate the market as it has in the past. Prices have stopped falling and are starting to edge upwards. But negative equity, higher deposits, and the greater scrutiny of lending will keep the speed of recovery in check. A recent study by the Joseph Rowntree Foundation estimated that 26 per cent of the homes bought between 1988 and 1991 were worth less than the mortgages used to buy them. The Halifax survey predicting a 15 per cent increase in volume but only a 5 per cent increase in price seems the most plausible estimate.

Euro Disney

The business plan for Euro Disney is in suspended animation while the accountants check that the company's famous imagination has not run away with it. Serious negotiation between the company and its banks will thus have to wait for the hard numbers. Yet Mr Michael Eisner, Walt Disney's chairman, seems happy to carry on with his campaign of megaphone diplomacy in the meantime. The banks have to weigh the damage to the Disney image if it walked away from the park against the parent company's very limited financial exposure. So Mr Eisner has every reason to soften the banks up as much as possible. He also has a much more frightened audience closer to home. Walt Disney stockholders are already grumbling about their chairman handing out money to European banks.

Still, some battle lines are clear. Euro Disney's operational cash flow is slightly positive, and some further cost savings may be possible. But in the absence of a strong upturn in attendances, the park is not going to generate enough cash to service any great quantity of debt or equity. It is hard to see a rights issue raising more than FF75bn-FF80bn, since that would require at least a one-for-one issue. Even that would not cut Euro Disney's FF21bn debt by enough to put the park on a firm footing. A write-off of a further FF5bn of bank debt would still leave the company in loss for 1994-95, but would offer hope thereafter. The banks, however, are likely to want equity in return, further diluting existing shareholders. To put any sparkle of value back into the shares, a fairy godmother will have to acquire the park's half-empty hotels.

LWT/Granada

Up to the first closing date of Granada's bid Sir Christopher Bland, LWT's chairman, has done little more than talk a good fight. The much-murmured defensive alliances have not yet materialised, perhaps because shareholders would spit out anything which tasted like a poisoned pill. LWT's strongest argument - that its fancy media rating might be swamped by Granada's sprawl - may not be enough to save it. Even given the current enthusiasm for the sector there is a hefty bid premium in LWT's share price. Shareholders eventually may be tempted to accept the offer rather than risk allowing their windfall profits to slip away. LWT will have to come up with something more solid if it is to get the decision.

Eurotunnel

Eurotunnel's coyness about the value of its extended concession is a little irritating. Still, while the present value of an extra 10 years of revenues 50 years from now is doubtless modest, the company has resolved another of its apparently infinite number of disputes. That alone should be enough to boost the shares when the market has the chance to offer its verdict. On the other side, the pain of forgone revenues to governments who find planning over 5 years difficult is presumably zero. The settlement may also reassure those considering private-public joint ventures that the government can be reasonable, provided it does not cost real money.

Belgrade central bank cuts nine zeros off dinar's value

By Laura Silber in Belgrade

The Yugoslav National Bank, battling against hyperinflation, yesterday began issuing newly denominated banknotes which knock nine zeros off the dinar.

The move, which will mean 1bn dinars is now equivalent to one dinar, had been expected to go into effect on January 1. But Politika, the Serbian newspaper, reported that huge payments of pensions, wages and consumer spending before new year holidays had forced the early redenomination.

Belgrade economists said the national mint, which was working 24 hours a day, was unable to print notes fast enough to keep pace with the inflation rate, which renders currency worthless within days of issue.

The official rate of monthly inflation climbed to 30,190 per cent in November and is expected to soar to 250,000-500,000 per cent for December.

On Friday the National Bank issued a 500bn dinar note, the highest denomination and equivalent at the time to DM7 on the black market. By yesterday afternoon its value had plunged to



A man collects discarded dinar banknotes in Belgrade centre

about 40 pfennigs. The central bank dropped six noughts from the dinar on October 1. Some 19 zeroes have gone in the past three years.

The D-Mark has virtually replaced the local currency, in all but a handful of state-run stores,

shopkeepers demand payment in D-Marks or change their prices on an hourly basis. Pfennig coins, DM5 and DM10 notes are prized.

A Belgrade grocer said she usually raised her prices by an "enormous percentage" in order to have a day off from constantly rewriting new prices as the dinar dropped.

The average monthly pension of 1,600bn dinars (DM15) can buy just 13 loaves of bread. People are often paid in bread, sugar, oil or meat rather than increasingly worthless dinars. In state stores, prices are no longer expressed in dinars but in "loaves", points in Serbo-Croat, which are tied to the D-Mark.

Economists say that only draconian measures - including stopping the printing of money and massive reductions in government spending - can salvage the dinar. The economy of the rump Yugoslavia - Serbia and Montenegro - has been hit by the collapse of trade between the former Yugoslav republics. It has also been devastated by hills for nearly three years of war in Bosnia and Croatia, and has been exacerbated by United Nations sanctions, including an oil embargo.

BBV prepares to take control of stricken Banesto

Continued from Page 1

movements in the Banesto accounts.

Inspectors had found that Banesto's need to provide for pensions had risen from some Ptas90bn (£147.65m) last year to nearly Ptas100bn in October.

The official added that capital

gains in Banesto's industrial corporation had been incorrectly booked. Banesto and the Bank of Spain inspectorate long been in dispute about Banesto's treatment of portfolio losses. Bank officials have accused Mr Conde of taking the profits or losses wherever they made Banesto's figures appear most favourable.

Mr Roberto Mendoza, the J.P. Morgan vice-chairman most closely associated with Banesto, was in Madrid yesterday. Morgan encouraged its Corsair banking fund to invest \$175m in Banesto this year.

Mr Luis Angel Rojo, governor of the Bank of Spain, is due to explain the dismissal of Mr

Conde to parliament today.

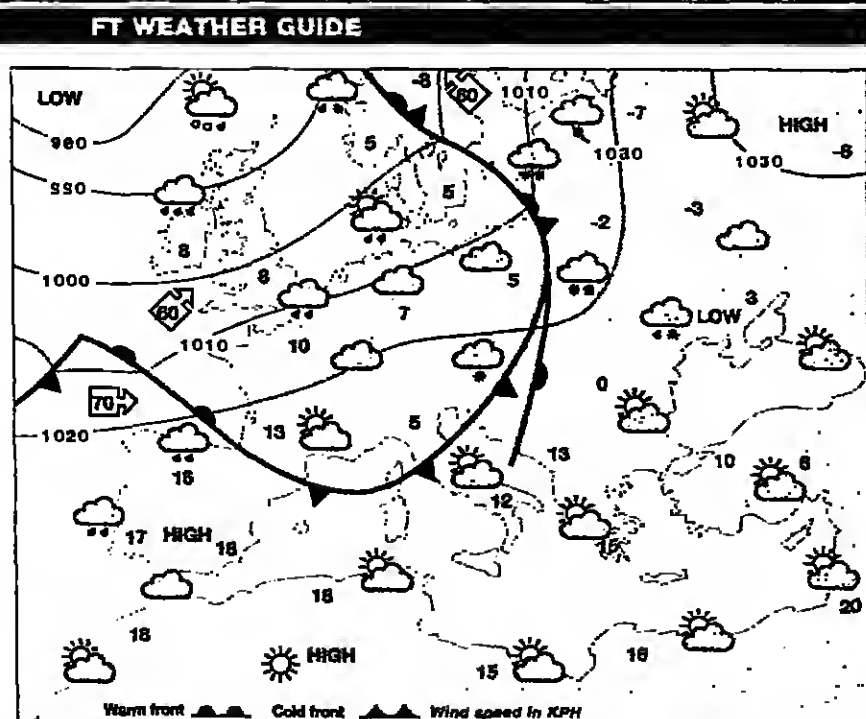
He will insist that Banesto's financial difficulties gave him little option but to appoint a new board, but the removal of Mr Conde has quickly taken on political overtones. The former chairman was unpopular with government and had frequently clashed with the Bank of Spain.

Europe today

Milder air is slowly moving eastward over southern Scandinavia and central Europe. On the eastern side of the warm front, snow will fall in many places with most expected around the Baltic Sea. The Alps will be rather cloudy with fresh snow in Austria but freezing levels will begin to rise from west to east. Freezing levels in the French Alps will rise to 2,000-2,500 metres tonight. Rain will fall at lower altitudes. A surge of mild air will approach France from the west, causing heavy rain later over northern France and the Channel. South-westerly winds may increase to gale or strong gale force along the coast of Britain, and the northern Bay of Biscay tonight. Southern Europe will be settled with sunshine at times but some showers will occur around the Ionian Sea.

Five-day forecast

Western Europe will remain unsettled. A westerly current will bring a series of disturbances producing rain and wind. The Alps may get fresh snow around the new year as a frontal zone arrives from the west. The Dolomites will also have fresh snow at the start of the new year.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp	Location	Temp
Algeria	14	Amman	10	Baghdad	12	Bangkok	28	Bombay	28
Buenos Aires	15	Calcutta	28	Cairo	18	Cardiff	10	Chennai	28
Cebu	28	Dhaka	28	Dubai	28	Durham	10	Edinburgh	10
Hong Kong	28	London	10	Lyons	10	Madrid	10	Manila	28
Moscow	10	Mumbai	28	New Delhi	28	New York	10	Osaka	10
Paris	10	Rangoon	28	Seoul	10	Singapore	28	Taipei	10
Tokyo	10	Yokohama	10	Zurich	10				

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مكتبة الامير

INTERNATIONAL COMPANIES AND FINANCE

Mercedes-Benz plans expansion outside Germany

By David Waller in Frankfurt

Mercedes-Benz, the automobile subsidiary of the Daimler-Benz group, is to increase commercial vehicle production outside Germany.

The expansion will concentrate on the south American market as well as China and Indonesia, according to Mr Bernd Gottschalk, the Mercedes-Benz board director responsible for truck production, in an interview with a German newspaper.

The plan is consistent with Mercedes' decision to shift production of passenger vehicles out of the high-cost German manufacturing environment but, according to Mr Gottschalk, the purpose of the expansion is to take advantage of new market opportunities and benefit from lower costs.

The share of foreign production of commercial vehicles has risen over recent decades to around 50 per cent in 1993, in stark contrast with Mercedes passenger cars, all built in Germany. This is set to change following Mercedes' decision earlier this year to build a car factory in Alabama, but this month Daimler stepped back from further foreign production when it decided to locate production of a planned small car in Germany rather than abroad.

Mr Gottschalk said that Mercedes planned to start selling light commercial vehicles, in south America. The group planned to invest about \$100m in new production capacity in Argentina.

The new factory will be used to assemble 15,000 to 20,000 new T1N trucks each year to be sold throughout South America, operating in tandem with the group's main production site for light commercial vehicles at Düsseldorf in Germany. The T1N will come to the market in early 1995.

The executive said the group intended to strengthen its presence in China, where it already plans two joint ventures to manufacture buses and is in talks with a local manufacturer over a joint venture to build engines. This could lead to production of medium-weight commercial vehicles in China, he added.

Mr Gottschalk, who mentioned plans for increased production in Indonesia as well, insisted that the expansion abroad would not be at the expense of manufacturing in Germany. He said the future of domestic plants was not black, so long as restructuring plans were implemented effectively.

He said that commercial vehicle turnover would drop this year by about 5 per cent from DM26.9bn in 1992, while unit sales would fall 7 per cent to 255,000.

German brewery invests in Bulgarian group

By Theodor Troev in Sofia

Brau und Brunnen, the German brewery, is paying DM4.112m (\$2.42m) for a 67 per cent stake in Kamenitza, one of Bulgaria's largest breweries, in the first substantial foreign investment in Bulgaria's brewing sector.

Up to 20 per cent of the shares have been offered to employees in compliance with Bulgaria's privatisation laws. Under the contract, the Dortmund-based holding company has to make an additional

investment of at least DM3.8m within two years.

The company will continue to manufacture and market the Kamenitza brand for the next three years at least, and will start producing Schnitzbeiss beer under licence for the domestic market and export.

The brewery's current annual production of 33m litres will be doubled in two years.

Mr Michael Brenscholdt, Brau und Brunnen's executive director, said the acquisition was another step in the group's long-term strategy.

Samsung engages in a higher quality revolution

John Burton reports on the results of the strict regime introduced at the South Korean conglomerate

It is being called Chairman Lee Kun-hee's cultural revolution at Samsung, South Korea's oldest and largest conglomerate.

Instead of little red books, there are Chairman Lee's videotapes, which engage in masochistic corporate self-criticism. The message is that Samsung is in danger of becoming a second-rate international business unless the group rapidly shifts its focus from quantity to quality and overhauls its cumbersome bureaucracy.

Samsung and other South Korean conglomerates, or chaebol, have become fixated on market share and sales volume at the expense of high-quality goods that can compete in advanced industrial markets, according to Mr Lee.

Not only is Samsung in danger of losing global sales as rising labour costs rob it of price competitiveness, but it also faces the threat of better products in its home market as Korea dismantles its trade barriers, particularly against Japanese goods.

The harsh message was prompted by the chairman's visit to the US last year. Retailers told him that Samsung consumer electronics, one of the group's main areas, suffered a poor image because of high defect rates.

To underscore the sense of urgency, the 51-year-old son of the group's late founder has introduced radical western management practices this year at Samsung, which previ-

ously was considered the Korean chaebol most influenced by Japanese corporate culture. "We are trying to create the psychological atmosphere for change, and break down the hierarchical mind-set to improve efficiency," said Mr Hwang Young-kye, the executive director for personnel. "We are willing to sacrifice sales and profits for quality improvement."

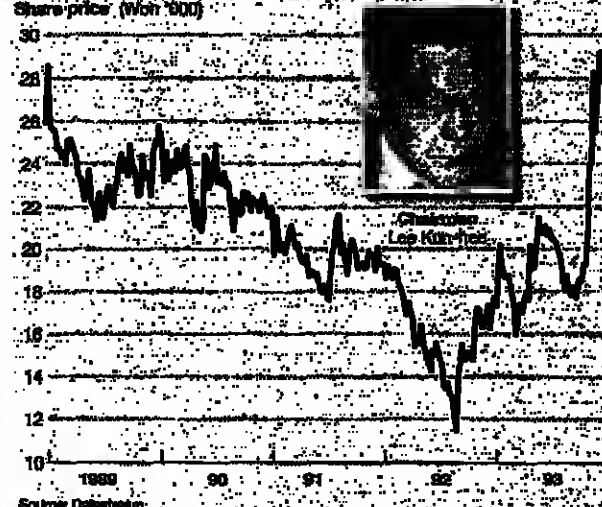
Foreign analysts believe weaning Korean groups away from their empire-building will not be easy. But Ms Nicola Gwynne-Howell of Baring Securities in London is confident that Samsung is proceeding in the right direction. "They're global leaders in a lot of the technologies they are in, such as semi-conductors," she says. Although Samsung's corporate programmes still have some way to go, "the ingredients are right".

As part of its new and more focused approach, Samsung's 180,000 employees work a shorter and earlier schedule - from 7am to 4pm - to encourage them to be more productive. "We are telling them with this measure that the group is changing, so you should change too in your work habits," explains Mr Hwang.

Senior executives must spend four days out of their six-day week at factories, meeting suppliers and customers instead of remaining behind their desks. Tape recorders have replaced written records at meetings to reduce paperwork. Workers are encouraged

Samsung

Share price (won 100)



Source: DataStream

to stop the assembly line whenever they spot a production defect and fix the problem.

It is too early to say whether these management practices are cosmetic or will have a significant effect on Samsung's performance, although most analysts believe that Mr Lee has identified a serious fault that underlies the corporate strategy of all chaebol.

Perhaps more crucial for the future of Samsung, which estimates 1993 sales at Won50,000bn (\$61bn), is a restructuring of its 48 companies, which range from electronics to construction to petrochemicals.

There is a growing awareness at Samsung and the other

chaebol that rampant diversification is hindering their global competitiveness. The groups need to concentrate on a few core industries to achieve success abroad.

"We have been covering so many industries, from light and heavy manufacturing to the service sector, that we didn't know where to place the emphasis," said Mr Lim Dong-sung, president of the Samsung Economic Research Institute.

A first step to slimming down the group was taken in June when Samsung announced that it was selling or merging most of its peripheral light industry and service companies, reducing the number of subsidiaries to 34. They

include two of Samsung's original businesses, food and textiles, with other members of the Lee family members acquiring some of them.

The future focus of Samsung will be on high-tech and heavy industrial companies, supported by an expanding financial-services business, including Korea's leading insurance company.

The goal is to develop other world-class companies to match the success of Samsung Electronics, which accounts for 18 per cent of group sales and is the world's leading manufacturer of memory chips.

This may prove difficult since some of Samsung's other main businesses have encountered recent problems. Samsung Engineering & Construction was punished by the government earlier this year after it was blamed for building faults that caused one of the nation's worst railway accidents. Samsung General Chemicals, its petrochemical business, is losing money due to production overcapacity in this sector.

One possible growth candidate is Samsung Heavy Industries (SHI), which is expected to be listed shortly. The company is one of Korea's leading manufacturers of ships, construction equipment and machinery.

But SHI's ambitions are controversial, since it wants to expand into car production, which would cost at least \$20m in initial investments.

Some analysts warn the

move is risky because Korea could face a production glut in the next few years as the country's five existing car manufacturers expand capacity.

Those doubts are shared by some Samsung officials. "When we can't even make a television properly, how can we make a good car?" asked one executive.

The government also has its reservations. It recently blocked what was suspected to be a takeover bid by Samsung for Kia Motors, the country's second biggest motor company.

Samsung has also shown interest in the aerospace sector. Samsung Aerospace Industries is the country's largest aircraft manufacturer with its licensed production of the F-16 fighter jet for the Korean Air Force.

It is now planning to move into the civilian aviation business. It recently agreed with Aviation Industries of China to develop a mid-size commuter aircraft and may start a domestic carrier to create a market for the airliners.

Samsung's move to higher value-added industries, such as cars and aerospace, is understandable. But the strategy carries with it the risk that it may only encourage further expansion when the group needs to focus its energies on a few selected businesses. Whether Samsung can achieve balanced growth may prove to be the true test of Chairman Lee's management reforms.

Occidental wins price violation ruling

By George Graham in Washington

Occidental Petroleum has won a \$1bn ruling from the Federal Energy Regulatory Commission (FERC) over charges of price control violations dating back to the late 1970s.

In a decision issued this week the FERC, an independent commission within the US Department of Energy, reversed an earlier judicial decision that would have required Oxy USA, Occidental's subsidiary, to pay \$261.4m plus interest for alleged violations of government pricing

rules between 1979 and 1981.

A separate proceeding brought by the Department of Energy last year alleging that the same crude oil transactions violated other regulations is still pending. That case would also involve close to \$1bn in principal and interest.

Occidental agreed in 1989 to pay the government \$205m to settle its claims, which already totalled more than \$700m in penalties and accumulated interest, but the Department of Energy later decided to move to litigation.

The case involves deals which the Energy Department

calls reciprocal crude oil transactions and Occidental terms

them, in which Cities Service Oil and Gas, now Oxy USA, provided crude oil subject to government price controls to a reseller, in exchange for crude that was exempt from the controls.

Occidental is believed to be the largest case left from the era of oil price controls, imposed in response to the Arab oil embargo in 1973 and in place until 1981. A temporary emergency court of appeals set up to decide price control suits was not dissolved until earlier this year.

Timken to take \$48m charge as jobs go

By Andrew Baxter

Timken, the US manufacturer of bearings and alloy steels, is to take a special \$48m charge against pre-tax earnings to cover an accelerated productivity improvement programme that could create 2,300 jobs over the next few years.

The Ohio-based company said the charge would reduce fourth-quarter net income by \$13.5 a share.

Excluding the charge, Timken expects positive operating income for the fourth quarter and the year - for the first nine months of 1993, it

had operating income of \$13.3m on sales of \$1.3bn. A \$254m accounting adjustment produced a net loss of \$242m or \$7.90 a share for the first nine months.

Mr Joseph Toot, president and chief executive, said the company needed to quicken the pace of its achievements in international competitiveness and increase its ability to gain more business.

At current operating levels the accelerated programme would reduce Timken's worldwide workforce of 16,000 by 2,300. The charge reflects costs of about 900 lay-offs worldwide,

with the rest achieved through retirements, attrition and cutting part-time employment.

Already this year, Timken has announced the closure by mid-1994 of its bearing plant at Daventry in the UK. Its operations are being consolidated into the nearby factory at Duxton.

This week's announcement comes six months after Timken said it was resuming work on its new \$120m plant in Asheboro, North Carolina. But a planned sister plant at Ueberherrn, Germany, which had also been postponed in 1992, remains shelved.

Extraordinary General Meeting of AB Volvo

An Extraordinary General Meeting of the shareholders of AB Volvo will be held in Lisebergshallen, Örgrytevägen, Göteborg (Sweden) at 4:30 p.m. (Swedish local time), Wednesday, January 19, 1994.

The Meeting will consider the matter of the determination of the number of board members and deputy members to be elected by the general meeting, the determination of remuneration to the board and the election of the board.

In addition the Meeting will consider a matter submitted by the Swedish Shareholders' Association (SARF) concerning the establishment of a nomination committee within AB Volvo. SARF has given the following definition of the tasks and purposes of the committee:

"The committee's task shall be to nominate persons suitable to be elected at forthcoming General Meetings as members of the Board of Directors of AB Volvo. The names of such nominees should be announced in adequate time prior to the Meeting, at the latest in connection with the convening notice. The purpose of a nomination committee is to improve the possibilities for

a thorough selection process and to increase disclosure regarding the nomination of Board members. The nomination committee shall also prepare and present a proposal for the fees to be paid Board members.

A representative of the nomination committee shall present the reasons upon which the committee's proposal is based at the General Meeting."

Right to participate in Meeting
Participation in Volvo's Extraordinary General Meeting is limited to shareholders who are recorded in the share register on January 7, 1994 and who advise Volvo, no later than 12:00 noon (Swedish local time), Friday, January 14, 1994, of their intention to participate.

Share register
Volvo's computerized share register is maintained by Vardepapperscentralen VPC AB (Swedish Securities Register Centre).

Volvo shares are registered in the names of either their owners or trustees. Only owner-registered shareholders are listed in the names of shareholders in the share register.

To be entitled to participate in the Extraordinary General Meeting, owners of shares registered in the name of a trustee must have their shares registered in their own names. To assure that such shares are registered in due time, the holders of trustee-registered shares should request that the bank or broker acting as custodian of the shares register them temporarily in the name of the shareholder several banking days prior to January 7, 1994. Trustees normally charge a fee for this service.

Notice of intention to participate
Shareholders who wish to participate in the Meeting must notify Volvo of their intention to do so, no later than 12:00 noon (Swedish local time), January 14, 1994, either by telephone: +46-31 59 00 00 or in writing, to: AB Volvo Legal Department S-405 08 Göteborg, Sweden

In providing such notice, a shareholder should state his or her name, personal registration number (where applicable), address and telephone number.

Shareholders who wish to appoint a proxy to act on their behalf at the Meeting should notify AB Volvo well in advance of the Meeting, giving the name of the proxy. A proxy need not be a shareholder of AB Volvo.

By order of the Board of AB Volvo

Claes Beyer, Secretary to the Board
AB Volvo
S-405 08 Göteborg, Sweden

December 1993

VOLVO

U.S. \$300,000,000

Bank of Greece

Notes are hereby given that the Bank of Greece has issued U.S. \$300,000,000 Floating Rate Subordinated Notes due 2001.

Interest payable on the Notes at the rate of 3.50% per annum, plus a margin of 100 basis points over the three-month LIBOR rate.

By: The Bank of Greece, N.A. (Issuer)

December 30, 1993

BANQUE NATIONALE DE PARIS S.A. & CO (DEUTSCHLAND) OHG

USD 250,000,000

Notes are hereby given that the Banque Nationale de Paris S.A. & Co. (Deutschland) OHG has issued USD 250,000,000 Floating Rate Subordinated Notes due 2001.

Interest payable on the Notes at the rate of 3.50% per annum, plus a margin of 100 basis points over the three-month LIBOR rate.

By: Banque Nationale de Paris S.A. & Co. (Deutschland) OHG (Issuer)

December 30, 1993

KfW International Inc.

nom. IFL 150,000,000.000.000

Floating Rate Notes due 1998

Notes are hereby given that from 29 December 1993 to 28 March 1994 the notes will carry an interest rate of 8.0125% per annum. Interest payable on 29 March 1994 will amount to IFL 99,043 per IFL 1,000,000 Note and IFL 999,434 per IFL 10,000,000 Note.

Agent Bank: Société Européenne de Banque, Société Anonyme

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Issue of up to U.S. \$250,000,000

Elders Resources Financial Services Pty Limited

Subordinated Guaranteed Floating Rate Notes due 1998

For the interest period December 30, 1993 to June 30, 1994, the Notes will carry an interest rate of 4.2500% per annum. The interest payable on the Notes will be paid on the interest payment dates, June 30, 1994, and December 30, 1994, at the rate of U.S. \$2,500.00 per U.S. \$100,000 Nominal Amount.

By: The Elders Resource Bank, N.A. (Issuer)

December 30, 1993

CITICORP

U.S. \$150,000,000

Subordinated Floating Rate Notes Due September 2006

Notes are hereby given that the Bank of Citicorp has issued U.S. \$150,000,000 Floating Rate Subordinated Notes due September 2006. The Notes will carry an interest rate of 3.50% per annum, plus a margin of 100 basis points over the three-month LIBOR rate.

By: Citicorp, N.A. (Issuer)

December 30, 1993

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INTERNATIONAL CAPITAL MARKETS

GOVERNMENT AND INTERNATIONAL BONDS

Bundesbank sells further DM4.2bn of 30-year issue

By David Waller in Frankfurt, Patrick Harverson in New York and Tracy Corrigan and Sara Webb in London

The Bundesbank provided the main focus of attention in the European government bond markets yesterday with the sale of the new 30-year German government bond issue.

The central bank sold a further DM4.2bn of the 3.25 per cent, 30-year bond yesterday at a weighted average price of 99.71, giving an average yield of 6.27 per cent.

The size of the issue will be DM10bn, consisting of yesterday's tender tranche of 4.2bn with DM3.8bn allocated to the Bundesbank's bond-issuing consortium and the DM2.79bn to be used for market operations.

The bond market rallied yesterday, but the 30-year area underperformed with the 30-year yield widening over 10 basis points from 6.15 to 6.27.

The German central bank intends to make use of the 30-year maturity on a regular basis, expanding the range of government securities on offer to investors eager to have the option of investing at a range of maturities along the yield curve.

The increased flexibility is likely to reduce the government's borrowing costs and

enhance the attractions of Finanzplatz Deutschland - Germany as a financial centre.

Traders expect demand for the new issue to come chiefly from foreign investors who are more optimistic about further cuts in German interest rates than domestic institutions.

US Treasury prices eased slightly at both ends of the market yesterday morning as more news of a strengthening economy continued to put bonds under selling pressure.

By midday the benchmark 30-year government issue was down 1/8 at 100 1/8, yielding 6.240 per cent. At the short end of the market, the two-year note was down 1/8 at 100 1/8, to carry a yield of 4.184 per cent.

The latest economic data to unsettle the market was a 0.5 per cent increase in the November leading indicators, and a 2.9 per cent increase in November existing home sales. Although the numbers did not come in that far over analysts' expectations, they were the latest in a line of statistics suggesting the economy is growing at a healthy rate.

Analysts said the market would probably stay in a tight trading range into the New Year, and investors would hold their fire to see if the economy sustained its pace.

UK government bonds

opened on a firm note after the Christmas break, with dealers noting some buying interest as hopes of a cut in the base rate continued to sustain the gilt market.

The Lifeline gilt futures contract touched a high of 120.20, but drifted lower later in the day to trade at around 120.10 by late afternoon.

The Spanish government bond market shrugged off the financial crisis facing Banesto, Spain's fourth largest bank, in spite of some concern over the impact on the Spanish banking system.

Prices ended virtually unchanged, and the news is not expected to have an impact on today's Treasury auction of three, five and 10-year debt.

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NEWS DIGEST
Salomon in first Taiwan index launch

Salomon Inc has launched the first index call warrants on Taiwan, with the issue of 3.5m of the derivatives denominated in US dollars, writes Louise Lucas in Hong Kong.

The issue comes on the heels of long-term bonds to help finance the 1994 budget deficit, Mr Marek Borowski, the finance minister, said, Reuters reports from Warsaw.

Mr Borowski said the bonds, to be offered mainly abroad, were not included in the budget plan which was finally accepted by the government last Monday.

He said the terms of the possible bond issue had yet to be determined. He declined to specify in which currencies the bonds were likely to be issued or other details.

He also said the government might consider offering convertible bonds, which would entitle holders to chunks of privatised state-owned enterprises, but such a move would require a new law from parliament.

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Banks revive appetite for assets
Aggressive loan pricing set new standards in 1993, writes Sara Webb

In the international syndicated loans market, 1993 will go down as the year when the pricing on loans at last headed lower, reversing the trend of the previous three years.

Syndicated deals from Reuters, the international news and information group, and Northern Foods, the UK dairy and food manufacturing company, attracted considerable attention in the market because of their aggressive pricing. As were being set out by setting new standards for loan pricing.

The 1980s were a time of cheap and easy access to bank loans: banks fell over one another to lend money, and borrowers were able to command favourable and tight pricing on the loans.

However, the climate changed in late 1989 and early 1990. The pricing on loans started to edge up as the international capital adequacy requirements agreed by the Basel Committee forced international banks to adopt a more selective approach to lending.

Capital adequacy requirements were not the only worry for the banks. The combination of recession and a spate of corporate disasters including Polly Peck and the Maxwell empire prompted bankers to think more carefully about the creditworthiness of their customers, and should have made them more discriminating in their lending policy.

Now there are signs the recession is ending, and bankers are, once again, hungry for assets. As the supply of funds exceeds demand, many borrowers are finding that they can obtain more aggressive terms on their loans.

The question uppermost in some bankers' minds is whether pricing will fall further in 1994.

As one banker points out,

the banks will have plenty of money to lend given the expectation that about 40 per cent of the loan book of banks in London is due to reach maturity in the next 18 months.

The initial signs that pricing had reached a peak and was starting to turn down came in mid-1992, but bankers said the real acid test was the Reuters deal in early 1993, followed by Northern Foods' loan - both borrowers regarded as top-class corporate names.

Reuters initially set out to borrow £100m, but the deal was heavily oversubscribed and it

ing down to 45 basis points in mid-1993 for good points. With Reuters and Northern Foods both borrowing at margins of 37.5 basis points, the question bankers now ask is how much further can the margin fall?

"It's going to go down lower, the question is how low - can it get to 35 basis points?" says one UK banker.

The OECD figures paint a less cheerful picture of pricing for syndicated credits in the OECD area. In 1990, the average spread was 53 basis points, rising to 86 basis points in 1992 and 92 basis points for the

a few more basis points. "My impression is that the loan market has been fairly vibrant. Some UK corporates are saying they will hold off until the New Year as there's definitely a few basis points to come off the pricing," says Mr Stan Burn, head of banking syndicate at the Midland Bank group in London.

"The negative factors which have been affecting the syndicated loan market since mid-1990 continued to exert a strong influence during the first four months of 1993," according to the June 1993 OECD report Financial Market Trends.

"New capital demand continued to be limited by the protracted weakness of the world economy, a very low level of internationally-financed merger and acquisition operations, and the availability of cost-effective and flexible financing for borrowers on the securities markets, including the rapidly expanding markets for medium-term notes or some domestic markets for private placements," it adds.

Many bankers see little prospect of activity picking up dramatically in 1994, given the attractions of alternative sources of funding such as the international bond markets and equity markets.

As western economies emerge from the difficult recessionary climate, borrowers may be more cautious about becoming heavily indebted again.

"In the UK, I can't see much new demand for next year - all the multi-option facilities' refinancings have been done, and UK corporates are not in a rush because they are coming out of recession slowly and gradually and are not going to be rushing out to build new factories or acquire other companies," says one banker.

TOP SYNDICATED LOAN ARRANGERS

Bank Name	1993	1992
National Westminster Bank	14,229	1,990
Barclays Bank	10,177	2,889
Citibank	8,777	3,111
Deutsche Bank	7,335	4,511
Hongkong Bank/Midland Group	6,550	793
ABN-Amro Bank	6,211	874
Chemical Bank	5,177	782
Chase Manhattan Bank	5,099	894
J.P. Morgan & Co.	5,019	36
Union Bank of Switzerland	4,211	58
Total signed loans	101,855	18,180

Sources: Euromoney, Lazard

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Yield %	Spread bps	Book runner
US DOLLARS							
Nissan Int'l Finance	100	6.00	100.45	Jun 1998	undfcd	0	Fuji Int'l Finance
FRANCH FRANCES							
Soc. Gen. Acceptance	800	6.25	99.50R	Apr 2004	0.50R	25	Société Générale
Société Générale	800	6.25	99.50R	Apr 2004	0.50R	25	Société Générale

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. Floating rate note. To find out more about the issue, contact the lead manager. Coupon: 7% fixed for 1st 6 months and 14.25% - 1.85 x 3-month Libor thereafter. d issue launched on 23/12/93 was increased to FR100m.

WORLD BOND PRICES

Benchmark Government Bonds	Coupon	Red	Price	Day's change	Yield	Week ago	Month ago
Australia	10.000	100.02	122.4100	-0.170	6.80	5.74	8.80
Belgium	9.000	03/03	118.0200	+0.880	6.36	6.83	6.80
Canada	7.500	12/03	108.8500	-0.260	6.57	6.74	6.88
Denmark	8.000	05/03	113.2000	+0.380	6.10	6.24	6.38
France	BTAN	8.500	05/06	110.4600	+0.570	5.07	6.05
Germany	OAT	8.000	10/03	103.6700	+0.380	5.50	5.70
Italy	101	10/03	103.4300	-0.400	6.47	6.88	6.25
Japan	No 118	4.800	06/06	111.4500	-0.030	2.43	2.49
Norway	No 157	4.800	06/06	110.8500	-0.010	3.05	3.18
Spain	10.000	04/03	113.2000	+0.380	6.10	6.24	6.38
Sweden	10.000	10/03	115.5000	-0.500	8.14	8.35	8.54
UK Gilts	8.750	01/06	114.2200	+0.320	5.80	6.01	6.08
US Treasury	8.000	06/03	115.1900	+0.320	6.08	6.19	6.70
US Treasury	6.250	09/03	100.4300	-0.730	6.24	6.28	6.27
US Treasury	5.000	04/03	114.4800	+0.490	5.82	6.15	6.32

London clearing. New York published. y Gross annual yield. Changes except US & Canada. From Dec 23. Prices US, UK in 32nds, others in decimal. Source: JPM International

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATF)

Open Settle Price Change High Low Est. vol. Open Int.

Mar 130.72 130.82 +0.10 130.86 130.89 61,425 126,506

Jun 130.14 130.26 +0.12 130.36 130.12 197 8,046

Sep 128.38 128.48 +0.10 128.48 128.38 3 1

LONG TERM FRENCH BOND OPTIONS (MATF)

Strike Price Jan Mar Jun Jan Mar Jun

127 3.82 - - - 0.11 0.44

128 3.01 - - - 0.01 0.31

129 1.86 2.10 2.19 0.01 0.81 0.91

130 0.88 1.40 1.57 - 0.87 -

131 0.03 0.77 1.14 0.22 0.96 -

132 0.28 - - - - -

Est. vol. total, Calls 14,227 Puts 10,554. Previous day's open Int. Calls 21,783 Puts 22,576.

Germany

NOTIONAL GERMAN BOND FUTURES (LIFE) DM250,000 100ths of 100%

Open Settle Price Change High Low Est. vol. Open Int.

Mar 101.93 101.93 +0.01 101.93 101.93 31,917 131,609

Jun 101.14 101.14 +0.01 101.14 101.14 1 1173

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Strike Price Jan Mar Jun Jan Mar Jun

100.00 0.78 - - - 0.08 0.08

101.00 0.63 - - - 0.78 1.22

102.00 0.35 - - - 1.10 1.62

Est. vol. total, Calls 3,001 Puts 823. Previous day's open Int. Calls 18,091 Puts 97,948

NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBLIFE) DM250,000 100ths of 100%

Open Settle Price Change High Low Est. vol. Open Int.

Mar 103.40 103.59 0.19 103.59 103.40 1914 11,429

UK Gilts Prices

Notes

1993-1994

1994-1995

1995-1996

1996-1997

1997-1998

1998-1999

1999-2000

2000-2001

2001-2002

2002-2003

2003-2004

2004-2005

2005-2006

2006-2007

2007-2008

2008-2009

Italy

NOTIONAL ITALIAN GOVT. BOND (BTF) FUTURES (LIFE) Lira 200m 100ths of 100%

Open Settle Price Change High Low Est. vol. Open Int.

Mar 118.15 118.50 +0.35 118.53 118.09 7891 7,915

Jun 118.40 118.40 +0.01 - - - 0 165

ITALIAN GOVT. BOND (BTF) FUTURES OPTIONS (LIFE) Lira 200m 100ths of 100%

Strike Price Jan Mar Jun Jan Mar Jun

118.00 1.71 - - - 2.75 2.85

119.00 1.47 - - - 2.50 3.12

119.00 1.25 - - - 2.25 3.40

Est. vol. total, Calls 81 Puts 380. Previous day's open Int. Calls 3,681 Puts 37,665

Spain

NOTIONAL SPANISH BOND FUTURES (MEFT)

Open Settle Price Change High Low Est. vol. Open Int.

Mar 104.73 105.12 +0.39 105.13 104.76 19,160 76,082

Jun 104.10 104.80 +0.70 105.10 105.10 24 7,495

UK

NOTIONAL UK GILT FUTURES (LIFE) £50,000 32nds of 100%

Open Settle Price Change High Low Est. vol. Open Int.

Dec 120.30 121.05 +0.75 121.06 120.30 423 4,281

Mar 119.28 120.11 +0.83 120.20 119.27 24,411 102,542

Jun 119.18 +0.20 - - - 0 68

LONG TERM UK GILT FUTURES OPTIONS (LIFE) £50,000 32nds of 100%

Strike Price Jan Mar Jun Jan Mar Jun

120.00 1.25 - - - 1.38 2.59

121.00 0.38 - - - 1.09 3.17

122.00 0.38 - - - 1.09 3.17

Est. vol. total, Calls 1,001 Puts 735. Previous day's open Int. Calls 7,796 Puts 36,918

EU

EU BOND FUTURES (MATF)

Open Settle Price Change High Low Est. vol. Open Int.

Mar 121.70 121.84 +0.14 121.88 121.70 53 12,050

Jun 97.50 -0.50 - - - 2 12,050

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFE) ¥100m 100ths of 100%

Open Settle Price Change High Low Est. vol. Open Int.

Mar 117.08 117.77 +0.69 117.88 117.08 376 0

LIFFE contracts traded on APF. All Open Interest figs. are for previous day.

Other Fixed Interest

Notes

1993-1994

1994-1995

1995-1996

1996-1997

1997-1998

1998-1999

1999-2000

2000-2001

2001-2002

2002-2003

2003-2004

2004-2005

2005-2006

2006-2007

2007-2008

2008-2009

COMPANY NEWS: UK

Planting the seeds for future growth

Andrew Bolger reports on Hewden-Stuart, an avid exponent of 'bottom fishing'

The art of "bottom fishing" - snapping up competitors or their assets when prices are at a minimum - is more spoken about than practised.

One avid exponent, however, is Hewden-Stuart, the UK's biggest independent plant hire company.

The Glasgow-based group paid £11m in July for the Hireplant assets of BET, acquiring 24,000 items of plant and 29 freehold properties. By October, analysts were pleasantly surprised to learn that the previously loss-making business was expected to make an immediate contribution to group profits.

Hewden-Stuart bought Hireplant, which usefully extends the group's existing network of depots, at a 53m discount to its already written-down net assets, and did so in time to take advantage of capital allowances. The success of the deal gives a clue as to how Hewden-Stuart has managed to come through the recession without recording a loss, although profits have slumped by two thirds from the £36m made in 1989.

Sir Matthew Goodwin, Hewden-Stuart's veteran chairman, says the group drew on its experience of previous recessions to navigate the recent downturn, but cautions that the national recovery is erratic and the "crazy" days of the late eighties are unlikely ever to return.

The group was certainly not unscathed by the crash. Hewden-Stuart had 70 per cent of all the tower cranes in London at the peak of the boom, and was the main supplier to Canary Wharf. It had hoped to transfer many of them to east

Germany, but was caught out by the European recession.

However, for Sir Matthew recent experience has just confirmed what has long been his fundamental tenet: "The only thing that matters in any business is cashflow. This must be understood throughout the group."

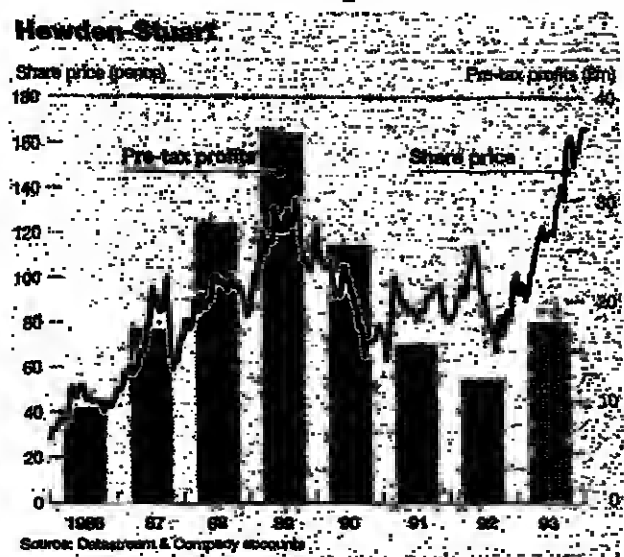
Using a conservative depreciation policy, Hewden-Stuart has maintained strong cashflow, even although pre-tax profits flagged, and can usually sell old equipment at a premium to its written-down value. The chairman says: "When looking at a depot, there was never any question of closure so long as it was generating cash."

A qualified chartered accountant, Sir Matthew, 64, has been chairman of the group since 1979 and an executive director since 1980. He says this cautious approach to finance is long-standing. "We would not buy anything unless we could finance 25 per cent of its purchase price in cash. That rule still applies."

Hewden-Stuart also steers clear of leasing and hire-purchase. Sir Matthew says: "Wherever possible we have bought our properties so that if we want to move out, we can sell up and move on."

October marked the 25th anniversary of Hewden-Stuart's flotation. Sir Matthew pointed out that any investors who joined in 1968 would by then have seen a thirty-fold increase in the capital value of their holding, an overall return few companies could emulate.

The group's pre-tax profits increased by 35 per cent to £9.1m in first half of the year, even though turnover rose only slightly. The chairman



Source: Datastream & Company accounts

said the downward trend in profits experienced for the last three years was reversed in the early summer, but this was more a reflection of good husbandry than any real strengthening in the workload of customers. Hewden-Stuart has net cash balances, in spite of having spent £11m on Hireplant and a further £17m on new equipment in the first half, and investment in plant is continuing at a high rate.

The improvement in the hire division's profits reflected benefits from the heavy capital expenditure programme which had been carried through the recession, often at a cost which adversely affected profits at the time.

Sir Matthew said machines taken in part-exchange by the group's merchandising business now tended to be older than usual, with a shortage of modern second-hand equipment. "This supports the view

that the condition and age of plant fleets generally has deteriorated and things nearer the time when customers will seek quality and service, albeit at higher prices."

The group expects that construction companies will hesitate to buy plant in the face of an uncertain upturn, which should benefit hire businesses. The growing gap between the value of old plant and the cost of replacing it should also encourage hiring rather than purchase. Sir Matthew says this will be encouraged by the reduction in the number of finance companies prepared to fund the acquisition of equipment. "Many banks and leasing companies have said to me 'never again'."

Although even the group's much reduced tower crane operation is expected to be back in the black by the end of the year, Sir Matthew sounds a cautious note about the speed

of any upturn - emphasising that he has yet to see much sign of recovery in hire rates.

"In the longer term the surplus of plant which still exists in this country will be eliminated and the demand for hire will increase, a process that hopefully will become apparent in 1994."

In spite of being deputy chairman of the Scottish Conservative party, Sir Matthew stands apart from some of the attitudes which have dominated the finance and commercial world in recent years. He has little time for blatherings of merchant bankers who continually offer their services to the group, and also eschews the more aggressive forms of City public relations.

He sees his group as a partnership between shareholders, management and employees - making no apology for what some described as a "puritanical" recent dividend increase. He says: "In a recessionary period where salaries, wages and costs require to be carefully controlled, it would be inappropriate to do other than moderately increase the dividend."

Meanwhile, the employees at Hireplant have been getting to know their new boss. Sir Matthew said: "I spent three days going round the depots. I find it very useful to sit down and have a mug of tea with drivers, fitters and managers and discuss problems. They hadn't seen anyone from head office for years."

The former BET staff also discovered a habit of Sir Matthew's long familiarity to Hewden-Stuart's depot managers: "I always go round the back the check what's in the junkyard."

Chas Letts turns over new leaf

By Catherine Millon

New diaries, as traditional at new year as broken resolutions, are turning over a new leaf at Charles Letts which will fund the development with £18m in equity finance from venture capital backers.

The private company, which claims 25 per cent of the UK's £70m diary market and estimates a 5 per cent share of diary sales in the western world, is extending whether users could do without standard features like conversion formulae and weights and measures.

A market research exercise will look at replacing these stalwarts with new items such as travel planning and time management - in full colour.

Helped by company doctor Mr Bill Gore, chief executive since June, Charles Letts has extricated itself from an unsuccessful 1980s diversification into lifestyle publishing, brassware and property.

Now claiming to be the world's only dedicated diary maker, Letts has secured the finance through a deal led by 21 with support from Morgan Grenfell Development Capital and Hambros Bank.

The new money will reduce debt of £17m to an annual peak of about £7m. In the year to January 31 1994 the company expects to return to the black with pre-tax profits of about £500,000 on sales of £27m, compared with losses of some £7m on sales of £29m.

Mr Gore declined to comment on prospects for a flotation, but said: "The deal brings in venture capital and it will seek an exit at some point."

£1.1m pay off for Tate director

By Tim Burt

Tate & Lyle, the sugar and sweeteners group, disclosed yesterday that it paid £1.1m in compensation to Mr Stephen Brown, its former chief executive, who left the company in March.

The compensation package - based on Mr Brown's three-year rolling contract on a basic salary of about £200,000 a year - was agreed after he failed to resolve differences over management style with Mr Neil Shaw, chairman.

As part of the payment, Mr Brown received £567,000 from Tate & Lyle and a further £515,000 from the group's subsidiaries.

The former chief executive is also understood to have received £225,000 from the disposal in July of a house in Kensington, west London.

Tate & Lyle had a 70 per cent stake in the property, while Mr Brown held the remainder.

According to the company's annual report, the house was sold for £950,000 just over a year after they purchased it jointly for £300,000. The property disposal and compensation payment marked the end of what analysts described as an embarrassing period for Tate & Lyle.

Mr Shaw, who split the roles of chairman and chief executive in April 1992 to make way for Mr Brown, said it was clear after less than 12 months that their relationship "wasn't working".

Since the chief executive's departure, the group has been overseen by an executive committee comprising four divisional directors, the finance director and chairman.

The share price closed up 2p at 397p.

Shield makes acquisition

By David Blackwell

Shield Group, the holding company that owns Stickleley Kent, the auctioneer and property consultancy, has acquired Kamco Computer Systems, a leading maker of customised personal computers.

Mr Norman Mazure, the chairman who owns 30 per cent of Shield, said yesterday that the company paid less than £50,000 cash for Kamco, which is expected to report turnover this year of £4m.

Kamco, founded five years ago and based in Uxbridge, sells its products only through mail order and advertising. Mr Mazure said the mail order market for PCs was worth about £1.2bn a year in the UK and was shared between 600 companies. He believed Kamco to be about sixth or seventh biggest.

Shield intends to keep Kamco's existing management team, including Mr Zygi Kamassa, the founder and managing director, and Mr Gary Russell, operations director.

Additional Interest Statement

The Walt Disney Company

U.S. \$400,000,000

Senior Participating Notes Due 1999

Quarterly Statement for the period from July 1 to September 30, 1993 (the "Period")

Semiannual Statement for the period from February 28, 1993, to August 31, 1993 (the "Period")

Annual Statement for the period from September 1, 1992, to August 31, 1993 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10038; Attention: Corporate Trust Department; telephone: (212) 412-6213. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "\$" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:

a. For the Period: N/A

b. From the Issue Date through end of Period: N/A

2. Names of short subjects to which a portion of Total Revenues has been allocated:

a. For the Period: N/A

b. From the Issue Date through end of Period: N/A

3. Names of the Eligible Films together with which the above short subjects were released:

a. For the Period: N/A

b. From the Issue Date through end of Period: N/A

Form of Statement after inclusion of two Eligible Films in the Portfolio:

4. Aggregate Negative Costs of Eligible Films in the Portfolio

5. The Portfolio Amount

6. Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio

7. Calculation of Contingent Interest:

8. Contingent Interest paid per \$1,000 principal amount of Notes

9. Supplemental Interest paid per \$1,000 principal amount of Notes

10. Supplemental Interest paid per \$1,000 principal amount of Notes

11. Provisional Interest paid per \$1,000 principal amount of Notes

12. Provisional Interest paid per \$1,000 principal amount of Notes

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

☐ No Default

☐ Yes Description:

The Walt Disney Company

By /s/ Steven J. Schach

Assistant Treasurer

NEWS IN BRIEF

ARCADIAN INTNL: valid applications were received in respect of 34.4m new ordinary shares representing some 64.7 per cent of the 53.14m offered by way of rights at 35p per share.

CASEKET has received valid applications in respect of 11.5m new ordinary shares (83.02 per cent) of its recent open offer. The remaining shares have been taken up by places. Mr G Waldron, non-executive chairman, has taken up his entire

ment and now has a beneficial interest in 1.2m shares (1.37 per cent of the shares in issue following the offer).

EUROMONEY has completed its purchase of Century House at a cost of £3.74m.

FIDELITY European Values has received applications for 4.82m offer units (43.47 per cent of the units available) in its recent placing. The balance will be issued to places. In addition the company will issue new

equity index linked stock. GIBSON LYONS Group, through its wholly owned subsidiary Gibson JCR, has acquired the outstanding 50 per cent holding in its associate, Gibsons Colourcentre (Bristol). Consideration, in cash, is related to a maximum £500,000.

HARTSTONE GROUP has sold Melmart of London, its casual footwear offshoot, to International Clothing Designs (Holdings) for £1m. Casualwear is

not part of Hartstone's ongoing strategy.

LOGICA has acquired Fray Data International through its wholly owned Dutch subsidiary Logica BV, for £125,000 (£29,000). Fray Data is a software and consultancy company specialising in water-related technical automation.

PEX GROUP is to pass its preference dividend payment, the directors announced, because losses incurred in the first half of 1993 leave insufficient

identifiable distributable reserves.

PROPERTY TRUST has acquired, subject to shareholders' approval, Anickland House, Gateshead, an industrial property of some 61,000 sq ft for £1.33m cash. Further property acquisitions are being sought and other investment opportunities are presently under consideration.

QUEENS MOAT House: Trustees of the 10.25 per cent first mortgage debenture stock 2020 and of the 12 per cent first mortgage stock 2013 have sent a circular to stockholders convening a meeting on January 10 to establish a steering committee to represent stockholders in negotiations with QMH. The proposal is supported by QMH. Stockholders representing 68.1 per cent of the stock have indicated they intend to vote in favour of establishing a committee.

RAGLAN PROPERTY Trust is to acquire a 150 year leasehold interest in Banbury's Castle

Centre shopping precinct from Chesham district council for £7m. Raglan will manage the entire centre and will be entitled to 39.5 per cent of total rents received from tenants in the Castle Centre.

REUTERS is acquiring Capital Markets Decisions in the US for cash and includes all CMD resources and technologies. The consideration and assets acquired are not material in the context of Reuters' net assets.

SRP INDUSTRIAL Holdings has received valid applications in respect of 10.5m (88.66 per cent) of the shares available in its recent open offer. The remaining 7.8m shares will be taken up under the placing arrangements.

STIRLING GROUP is selling the wholly owned offshoot Stirling Brands, which makes ladies' lingerie, underwear and swimwear, to a consortium led by senior management for £2.3m in cash.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Meetings are usually held for the purpose of considering dividends. Critical decisions are not made at board meetings. Critical decisions are usually made at the level of the executive committee. Dates are subject to change on last year's basis.

Future Dates

Interim: Jan 18

Annual: Jan 18

Special: Jan 18

Today

Flash-Deputy Editor

Flash-Deputy Editor

Flash-Deputy Editor

Flash-Deputy Editor

Flash-Deputy Editor

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This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities. Application has been made for the ordinary share capital of Sheldon Jones PLC (the "Company") both currently in issue and to be issued in relation to a proposed rights issue and financial restructuring to be admitted to the Official List. It is expected that dealings in the new ordinary shares will commence on 30th December, 1993.

SHELDON JONES PLC

(to be renamed Pascoe's Group PLC)

(Registered and incorporated in England No. 157365)

INTRODUCTION TO THE OFFICIAL LIST

by Samuel Montagu & Co. Limited

of up to

15,311,366 New Ordinary Shares of 5p each

The activities of the Group currently comprise the manufacture of pet food products and the wholesale distribution of garden products.

Copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted), up to and including 4th January, 1994, from the Company. Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capet Court Entrance, off Bartholomew Lane, London EC2N 1HP (by collection only) and, up to and including 21st January, 1994, from the Company's registered office at Barges Salmon, Narrow Quay House, Prince Street, Bristol BS1 4AH and from:

Rowan Dartington & Co. Limited
6th Floor, Colston Centre,
Colston Street
Bristol BS1 4NE

Samuel Montagu & Co. Limited
10 Lower Thames Street
London
EC3R 6AE

30th December, 1993

CONTRACTS & TENDERS

TURKISH ELECTRICITY AUTHORITY GENERAL MANAGEMENT

The amendment related to the supply of Mobile substations and tractors and 2 x 100 ton trailer capacity required by our authority, is as follows:

The new deadline for submission of bids is 8 February 94 and some of the articles of the Bidding Documents are modified.

Related firms may apply to TEK TURKYE ELEKTRIK KURUMU GENEL MUDURLUGU, Dis Ticaret Bairesi Baskanligi, Inonu Bulvarı No: 27, Bahcelievler-ANKARA/TURKYE for further information.

THE STARS PROGRAMME

STARS 1 PLC

£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 5.2125% and that the interest payable on the relevant Interest Payment Date March 28, 1994 against Coupon No. 13 in respect of £9,753 nominal of the Notes will be £136 15

December 20, 1993 London

By: Citibank, N.A. (Trust Services) Agent Bank

CITIBANK

SARAKREEK HOLDING N.V.

Amsteldijk 194, 1079 LK Amsterdam, The Netherlands

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Sarakreek Holding N.V. will be held on Tuesday, January 18, 1994 at 11 a.m. at the Hotel Mercure Amsterdam Airport, Oude Haagweg 20, 1066 BW Amsterdam.

Agenda: In this meeting a proposal to change the management of the Company will be dealt with exclusively.

To be able to attend this meeting, shareholders must deposit their shares at the offices of ABN AMRO Bank N.V., Herengracht 397, Amsterdam not later than January 7, 1994. The deposit receipt will render entrance to the meeting.

Amsterdam, December 30, 1994

The Supervisory Board.

Britannia Building Society

£150,000,000 Floating rate notes 1997

For the period 24 December 1993 to 24 March 1994 the notes will bear interest at 5.45075% per annum. Interest payable on the relevant interest payment date 24 March 1994 will amount to £125.65 per £100,000 note. £125.65 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

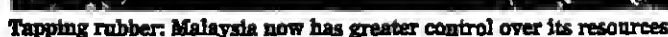
مكتبة الامير

David Blackwell explains why the Plantations sector of the FT share service is coming to an end

In 1957 Malaysian independence started to accelerate the process. New economic policies emerged in the 1970s, as Malaysia sought greater control over its resources.

The big companies started to protect themselves. For example Sime Darby, the Malaysian conglomerate, put all its holdings into Consolidated Plantations, with a listing in Malaysia and a secondary listing in London.

Anglo's history reflects the age-old problem with plantation investment - the long lead time before crops start to produce cash. The initial investment is also high. Tasik alone has 250 miles of roads. Nevertheless, Mr Rollo Barnes, Anglo's executive director, says his company is thinking of developing another



Other UK companies with strong interests in palm oil and other commodities include

Williamson Tea Holdings is an unusual survivor and remains very much the old type of family plantation company. Although it has only been listed since 1964 it dates

Mr Magor points out that after the war the end of colonialism and the rise of nationalism naturally led to a decline in UK investment in the sector. Williamson decided to stick to its business, however, and has made sure it has good and prosperous partners, particularly in India, to ensure its interests are well looked after.

The group, 62 per cent held by George Williamson Hold-

While its removal could well mark the end of an era, there is no doubt that the UK still has a useful interest in plantations. Mr Hadsley-Chaplin, a former chairman of the association, says: "It is an extremely sophisticated industry now. I don't think that is appreciated by UK institutional investors."

"But the basic seat is no longer London, which has lost out and lost interest."

on Monday, February 7.

The U.S. Communications Industry is currently the largest and most advanced in the world. The changes happening now will have implications for the entire world. This survey will therefore be essential reading for key decision makers in over 160 countries worldwide.

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COMMODITIES AND AGRICULTURE

Pressure builds for oil cuts as prices test fresh lows

By Robert Corzine

Oil prices tested new five-year lows yesterday as efforts intensified to orchestrate a worldwide production cut by the main producing countries, including those outside the Organisation of Petroleum Exporting Countries.

The price of the benchmark Brent blend for February fell 39 cents in early trading in London yesterday to \$18.26, its lowest level since November 1988. The price began the year at about \$20 a barrel.

The latest falls followed visits to the UK and Norway by Mr. Said bin Ahmed al-Sanani, the Omani oil minister.

Oman is not a member of Opec, but it was among the six members of the Gulf Co-operation Council that last week called for production cuts to be shared among Opec and independent producers.

Mr. al-Sanani is reported to be seeking agreement from the main oil producing countries for a 1m-1.5m barrels a day cut to prop up prices.

On Tuesday he met Mr. Tim Eggar, UK energy minister. World production levels were discussed, but Mr. Eggar reminded the Omani minister that UK oil output was decided by private sector companies.

In Oslo Mr. Jens Stoltenberg, the Norwegian industry and

energy minister, said: "Under the present circumstances we will not undertake any measures to restrain our production. Opec is the cartel and Opec has the main responsibility for exercising production restraints."

Some small independent producers, such as Egypt, say they will abide by output cuts. But analysts believe their participation in such a scheme would probably be symbolic at best.

They say Opec needs to secure the co-operation of large independent producers, including Russia, which Mr. al-Sanani is also expected to visit, to make such a plan credible to international oil markets.

Scots seek to avoid another cereals overshoot

By Alison Maitland

Scottish farmers' leaders will meet next month to find a way of avoiding another costly overshoot of the annual cereal production target they have to meet under the reform of the common agricultural policy.

European Community farm ministers agreed earlier this month to water down penalties for this year's overshoot,

which the National Farmers' Union of Scotland said would have cost the industry £20m.

"We're very relieved this threat has been lifted," said Mr. David Jack, chairman of the union's cereals committee. "It would have devastated Scottish cereals production."

The problem arose over a discrepancy between the "base area" used by the British government to calculate what

Scotland's cereal output should be and the actual arable area for which farmers claimed compensation from Brussels for cuts in support prices.

The latter exceeded the former by 54 per cent, and the European Commission was set to cut their payments this year by the equivalent - 24.5m - and to require them to leave an extra 54 per cent of land idle next year without compensa-

tion, in addition to the 15 per cent set-aside for which they are paid.

The compromise put forward by the Commission, along the lines of offers made to farmers facing penalties in Germany and Spain, would have Scottish arable farmers only about £2m - short, according to the union. Under the compromise, they face a penalty of 0.54 per cent in payments and set-aside

for the first year, instead of 5.4 per cent.

The penalties will gradually increase if the base area is exceeded in coming years. Mr. Jack said the union still had doubts about the Scottish Office's base area, which was calculated using census figures. However, he said the meeting of the cereals committee on January 19 would review the whole scheme.

Co-ops take the high road to marketing success

Scottish farmers are increasingly turning to collaboration, writes Alison Maitland

Ten years ago a handful of trout farmers in south-west Scotland decided to join forces to market their produce through a co-operative.

It proved a runaway success. Today Scot Trout processes 3,000 tonnes of farmed trout a year, representing 80 per cent of the Scottish market and 20 per cent of the UK market. Its annual turnover is £12.5m.

Initially selling trout straight from the farm to the market, it has moved into gutting and filleting and is investing £1.5m in new processing facilities over the next three years. "We're now looking at what we can put back on the fish by stuffing it, enrobing it or turning it into goujons," says Mr. David Hogg, chief executive.

Scot Trout is one of the most prominent of the farmer-owned co-operatives that have become flagships of the Scottish food industry and the envy of farmers' leaders south of the border, where collaborative ventures have a more chequered history.

Faced with the possibility of reduced subsidies for European producers, Scottish farmers are increasingly turning to collabora-

tion to give them muscle in a fiercely competitive marketplace.

Mr. Maitland Mackie, a farmer near Aberdeen, produces about 10,000 pigs a year. "I market, as I believe everybody should do, through a producer group which collects similar type pigs for the best market for that type of pig," he says.

As with farmed trout, about 80 per cent of Scottish pig production is sold through co-operatives, a level comparable with some sectors in France or the Netherlands, agricultural exporting countries for whom co-operatives are the norm. Scottish co-operatives handle over 80 per cent of vegetable output, nearly half of cereal production and 50 per cent of farm supplies, but less than 10 per cent of cattle and sheep from hill farms.

The farming co-operative has a long tradition in Scotland. The oldest, Tariff Valley, which still supplies the industry with feeds and fertilisers, was set up in 1903.

Farmers are better at co-operating in Scotland, says Mr. Alastair Alexander, marketing director for the Scottish

National Farmers' Union. "Needs must, we're far from the markets and our land and climate are pretty tough."

The country's 100 or so co-operatives are grouped under the umbrella of the Scottish Agricultural Organisation Society, which lobbies on their behalf and offers advice on how to improve sales. Collective turnover amounts to some \$500m, equivalent to about a third of Scottish farm output. Nearly half its funds are provided by the government, the rest by a levy on members and consultancy fees.

In England, the National Farmers' Union is looking for a way of encouraging domestic collaboration now the government has turned Food from Britain into a purely export promotion body. "SAOS is a very interesting example," says Mr. David Evans, director general of the NFU. "Whether something like that would work in England is debatable."

While there are success stories in England, interference by farmers in the management of co-operatives has been criticised in Scotland. Mr. Alexander, marketing director for the Scottish

chief executive of SAOS, says his organisation tries to overcome this by defining clearly the roles of board and management in support co-operatives and emphasising the farmer-directors' responsibility to the co-operative rather than to their individual farms.

Co-operatives can cover many aspects of farming. Machinery rings, where farmers pool their equipment and labour and hire it to each other, are becoming increasingly popular. The first started with 23 members in the Borders about five years ago and 2,000 farmers now belong to 12 rings across the country.

"The co-operatives provide a counter to the virtual dominance of the supply sector by large national groups," says Mr. Rainy Brown.

Some co-operatives in different sectors are banding together to share administrative costs. In south-west Scotland, Tariff Valley is working with a machinery ring, a lamb marketing venture and a co-operative offering farm secretarial services.

This trend should help co-operatives keep an eye on the underdog, says Mr. David

Douglas, agricultural manager for Clydesdale Bank. "There's a real danger that co-operatives could compete against co-operatives and that's going to take away from the original aims," he argues.

The most successful co-operatives have, however, been able to bring advantages for their members from the powerful retail sector.

ANM Group, the largest agricultural co-operative with 8,000 members, recently agreed that its Aberdeen Meat Marketing subsidiary would supply Wm Low, the Scottish supermarket chain, with 60 per cent of its red meat requirements for the next 12 months. "It's unique," says Mr. Brian Pack, ANM Group's chief executive. "It's usually done on a week-to-week basis."

Mr. Donald MacRae, agricultural specialist at TSB bank in Edinburgh, believes ANM points the way to the future. "SAOS should be encouraging the big co-operatives to be bigger," he says. "We need a concentration on the farming side to match the power of the processors and retailers. A strong buyer demands a strong seller."

Metal hunters turn to S America

By Kenneth Gooding, Mining Correspondent

Mining companies increasingly are switching their worldwide exploration efforts towards Latin America. But the US still takes the biggest share of exploration spending by the major companies, according to the Economics Consultants, Metals Economics Group.

Budgets of the 137 companies reviewed total US\$1.7bn. Of this, \$345m is directed to the US. Australia gets \$333m, Latin America \$311m, Canada \$295m and the Pacific area \$194m.

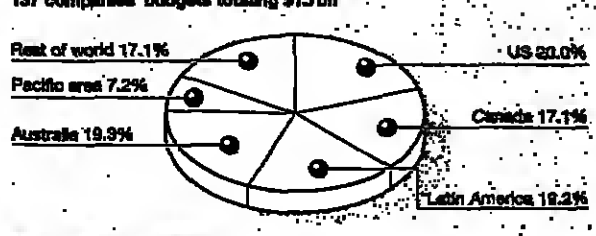
MEG points out that Canada has dropped from first place in terms of exploration activity in 1989 to fourth this year.

Latin American countries receiving the most exploration attention this year are Chile, with about 40 per cent of the total for the region; Mexico, about 20 per cent; and Brazil, about 19 per cent.

The percentage of expenditure directed to gold targets has been falling steadily in recent years, according to MEG, while base metals-related spending has been rising after a very low level of activity in the mid-1980s. In this case the consultants reviewed

1993 Exploration budgets by location

137 companies' budgets totalling \$1.7bn



the exploration spending plans of 137 companies, totalling US\$1.7bn, and found \$285m (48.7 per cent of the total) being spent on gold this year compared with \$88m or 52 per cent in 1992 and \$10m or 56 per cent in 1991.

Base metals exploration expenditure this year is \$665m or 35 per cent of the total, compared with 32 per cent of the reported spend in 1992.

More than half the spending directed at other mining targets is for diamond exploration. Some 29 big companies are involved in the search for diamonds, but the \$111.7m budgeted for diamond exploration and research by De Beers of South Africa remains unchal-

langed. RTZ Corporation of the UK, the world's biggest mining company, is also the biggest spender on exploration, MEG suggests, including the budget for CRA, its 49 per cent-owned Australian associate, RTZ is spending \$200m this year compared with De Beers' \$111.7m. The third largest corporate exploration budget, \$71.8m, is attributed to BHP Minerals, part of the Australian resources group.

Corporate Exploration Strategy: a worldwide analysis. US\$1.7bn from Metals Economics Group, PO Box 2306, Halifax, Nova Scotia, B3J 3C4, Canada.

Cuba expects improved efficiency to yield bigger sugar harvest

By Carolee James, in Kingston, Jamaica

The Cuban government is forecasting sugar production for the 1993-94 harvest at

"several hundred thousand tonnes" more than the 4.15m tonnes produced in the last harvest, which was 40 per cent down on 1991-92.

Mr. Nelson Torres, the sugar minister, told a session of the National Assembly in Havana that the expectations of a better performance were based on increased use of fertiliser and

improved efficiency in the industry. The forecast is more optimistic than that made in September when Mr. Torres indicated modest government expecta-

tions for the current harvest. He said that the harvest would end in April, earlier than normal, to allow the planting of more cane for future harvests.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (5 per tonne)

	Sett	High	Low	Open	Vol
Jan	391.5	+3.1	395.3	395.3	138
Feb	391.5	+3.1	395.3	395.3	1
Mar	391.5	+3.1	395.3	395.3	8,282
Apr	391.5	+3.1	395.3	395.3	13
May	391.5	+3.1	395.3	395.3	103
Jun	391.5	+3.1	395.3	395.3	22,541
Jul	391.5	+3.1	395.3	395.3	2
Aug	391.5	+3.1	395.3	395.3	2
Sep	391.5	+3.1	395.3	395.3	2
Oct	391.5	+3.1	395.3	395.3	2
Nov	391.5	+3.1	395.3	395.3	2
Dec	391.5	+3.1	395.3	395.3	2
Total	391.5	+3.1	395.3	395.3	18,847

COPPER, 99.99+ (5 per tonne)

	Sett	High	Low	Open	Vol
Jan	2,021	+1.5	2,022.5	2,022.5	777
Feb	2,021	+1.5	2,022.5	2,022.5	1,541
Mar	2,021	+1.5	2,022.5	2,022.5	218
Apr	2,021	+1.5	2,022.5	2,022.5	1
May	2,021	+1.5	2,022.5	2,022.5	112
Jun	2,021	+1.5	2,022.5	2,022.5	1,200
Jul	2,021	+1.5	2,022.5	2,022.5	2
Aug	2,021	+1.5	2,022.5	2,022.5	2
Sep	2,021	+1.5	2,022.5	2,022.5	2
Oct	2,021	+1.5	2,022.5	2,022.5	2
Nov	2,021	+1.5	2,022.5	2,022.5	2
Dec	2,021	+1.5	2,022.5	2,022.5	2
Total	2,021	+1.5	2,022.5	2,022.5	20,151

ZINC, 99.99+ (5 per tonne)

	Sett	High	Low	Open	Vol
Jan	1,121.5	+1.5	1,123	1,123	47
Feb	1,121.5	+1.5	1,123	1,123	74
Mar	1,121.5	+1.5	1,123	1,123	32
Apr	1,121.5	+1.5	1,123	1,123	3
May	1,121.5	+1.5	1,123	1,123	4,962
Jun	1,121.5	+1.5	1,123	1,123	81
Jul	1,121.5	+1.5	1,123	1,123	2
Aug	1,121.5	+1.5	1,123	1,123	2
Sep	1,121.5	+1.5	1,123	1,123	2
Oct	1,121.5	+1.5	1,123	1,123	2
Nov	1,121.5	+1.5	1,123	1,123	2
Dec	1,121.5	+1.5	1,123	1,123	2
Total	1,121.5	+1.5	1,123	1,123	6,000

NICKEL, 99.99+ (5 per tonne)

	Sett	High	Low	Open	Vol
Jan	111.5	+0.5	112	112	323
Feb	111.5	+0.5	112	112	4
Mar	111.5	+0.5	112	112	2
Apr	111.5	+0.5	112	112	2
May	111.5	+0.5	112	112	2
Jun	111.5	+0.5	112	112	2
Jul	111.5	+0.5	112	112	2
Aug	111.5	+0.5	112	112	2
Sep	111.5	+0.5	112	112	2
Oct	111.5	+0.5	112	112	2
Nov	111.5	+0.5	112	112	2
Dec	111.5	+0.5	112	112	2
Total	111.5	+0.5	112	112	4,962

SILVER, 999.9 (100 Troy oz, \$1000)

	Sett	High	Low	Open	Vol
Jan	124.25	+1.25	125.5	125.5	47
Feb	124.25	+1.25	125.5	125.5	74
Mar	124.25	+1.25	125.5	125.5	32
Apr	124.25	+1.25	125.5	125.5	3
May	124.25	+1.25	125.5	125.5	4,962
Jun	124.25	+1.25	125.5	125.5	81
Jul	124.25	+1.25	125.5	125.5	2
Aug	124.25	+1.25	125.5	125.5	2
Sep	124.25	+1.25	125.5	125.5	2
Oct	124.25	+1.25	125.5	125.5	2
Nov	124.25	+1.25	125.5	125.5	2
Dec	124.25	+1.25	125.5	125.5	2
Total	124.25	+1.25	125.5	125.5	6,000

PLATINUM NYMEX (50 Troy oz, \$2000)

	Sett	High	Low	Open	Vol
Jan	361.1	+3.1	364.2	364.2	777
Feb	361.1	+3.1	364.2	364.2	1,541
Mar	361.1	+3.1	364.2	364.2	218
Apr	361.1	+3.1	364.2	364.2	1
May	361.1	+3.1	364.2	364.2	112
Jun	361.1	+3.1	364.2	364.2	1,200
Jul	361.1	+3.1	364.2	364.2	2
Aug	361.1	+3.1	364.2	364.2	2
Sep	361.1	+3.1	364.2	364.2	2
Oct	361.1	+3.1	364.2	364.2	2
Nov	361.1	+3.1	364.2	364.2	2
Dec	361.1	+3.1	364.2	364.2	2
Total	361.1	+3.1	364.2	364.2	20,151

PALLADIUM NYMEX (100 Troy oz, \$2000)

	Sett	High	Low	Open	Vol
Jan	124.25	+1.25	125.5	125.5	47
Feb	124.25	+1.25	125.5	125.5	74
Mar	124.25	+1.25	125.5	125.5	32
Apr	124.25	+1.25	125.5	125.5	3
May	124.25	+1.25	125.5	125.5	4,962
Jun	124.25	+1.25	125.5	125.5	81
Jul	124.25	+1.25	125.5	125.5	2
Aug	124.25	+1.25	125.5	125.5	2
Sep	124.25	+1.25	125.5	125.5	2
Oct	124.25	+1.25	12		

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Stock	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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CURRENCIES AND MONEY

MARKETS REPORT

Dollar moves higher

The dollar rose against the D-Mark and yen on new indications of robust US growth next year, *Peter Marsh writes*.

Traders in London were reported to be looking for further gains in the US currency over the next few weeks, while few were willing to bet on any relaxation in German interest rates when the Bundesbank council meets on January 6.

While the Bonn government on Tuesday made bullish noises about a recovery from the damaging German recession next year, the message from German industrial groups yesterday was less encouraging.

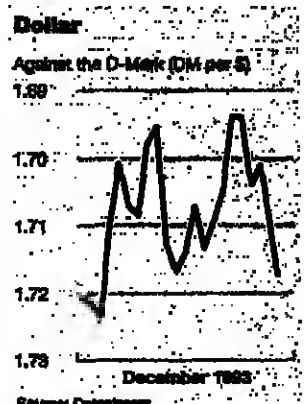
The inference from this is that some of the Bundesbank's policymaking body may consider appropriate a small easing in monetary conditions, especially as news on the inflation front recently has been fairly positive.

Helping the dollar to gain in this holiday trading were data indicating continued strength in the US economy, particularly in the previously hard-pressed housing market. Sales of existing US homes rose 2.9 per cent in November from the previous month to a seasonally adjusted annual rate of 4.31m, the National Association of Realtors said. The US government's main economic forecasting gauge showed a fourth straight gain in November as industrial activity declined.

The index of leading indicators, which is supposed to forecast economic trends six to nine months ahead, rose 0.5 per cent after an identical increase in October.

Helped by this news, the dollar rose to a European close of DM1.718, a gain of 1/16 pence on Tuesday's finish. Against the yen, it rose to ¥111.85 against ¥111.35 previously and was close to brushing the "wall" of ¥112.

The Federal Reserve Association of Germany said it expected only a slight recovery in west Germany in 1994, with little chance of higher employment. This gloomy tone was reinforced by the IHS German retailers' association, which said German store groups would shed at least 30,000 jobs next year. These reports may encourage hopes of a cut in



£ Pounds in New York

	Dec 29	Dec 28	Dec 27
Spot	1.6810	1.6800	1.6800
1m	1.6810	1.6800	1.6800
3m	1.6810	1.6800	1.6800

German interest rates next month

● In London the Bank of England provided the UK money market with £487m, through its bill operations and £195m of "late assistance" - lending to domestic houses at an unspecified rate. This compared with its forecast of a £750m liquidity shortage. In Frankfurt, German call money rates tightened as the Bundesbank unexpectedly drained a net DM5.1bn from the banking system in its money market operations.

● The pound slipped against the stronger dollar, closing in European trading at \$1.4915, compared with \$1.4905 the previous day. Against the D-Mark, sterling was little changed at DM2.5624.

● With effect from today, the currency rates used in the FT's tables will use data from a new source - the WM/Reuters Closing Spot Rates, after more than a year of preparation by WM, Edinburgh-based portfolio valuation specialist. The main change for readers is that the new data will be based on currency values established at 4pm London time during the previous day's trading, rather than the time of around 5pm used up to now. Evidence by WM indicates that 4pm not only captures a larger selection of quotes from continental contributors to the Reuters system, but also reflects more accurately the

peak trading period for the London and New York foreign exchange markets.

The main purpose of the venture, supported by leading London market practitioners, is to establish a daily standard for the foreign exchange rates required for index calculation, investment management and portfolio valuation. For the first time, a single suite of rates is available that will allow accurate comparisons between competing indices and competing funds. Outside the financial community, users of foreign exchange rates for commercial contracts and transactions will benefit from access to a more consistent set of data.

Because the market functions round the clock, establishing authoritative "closing" rates for currencies has previously been difficult. As a result, no single, consistent set of foreign exchange rates has gained universal acceptance. WM has developed a mechanism with Reuters to calculate and publish a daily fixing, based on market rates derived from Reuters' foreign exchange reporting system. The initial selection of 62 currencies includes all those included in global or regional indices.

Besides using data from the WM/Reuters Closing Spot Rates for the foreign exchange tables published in the newspaper, the Financial Times, with its partner Goldman Sachs and NatWest Securities, has adopted the rates for use in the FT-Actuaries World Indices.

Other leading users of foreign exchange data which will adopt the standard include international index compilers such as J.P. Morgan, Morgan Stanley Capital International and Salomon Brothers. ● The system will work by selecting - at short intervals before and after 4pm London time - representative bid, offer and mid rates for the 62 currencies against the dollar. Anomalous data will be screened out, and a median rate calculated for each currency. Spot rates for 62 currencies against sterling are then calculated as cross rates from the dollar parties, reflecting foreign exchange market practice.

POUND SPOT FORWARD AGAINST THE DOLLAR

Dec 29	Closing mid-point	Change on day	30/360	Days' bid	Days' ask	One month	Three months	One year	Bank of England
Europe	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Australia	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Belgium	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Denmark	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
France	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Germany	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Greece	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Ireland	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Italy	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Japan	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
South Korea	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Spain	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Sweden	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Switzerland	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
UK	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
USA	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810

NOTE: For Dec 29, 30/360 rates in the Pound Spot table show only the last two decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Bank of England rates are not directly quoted to the market but are implied by current interest rates. Bank of England rates are not directly quoted to the market but are implied by current interest rates.

DOLLAR SPOT FORWARD AGAINST THE POUND

Dec 29	Closing mid-point	Change on day	30/360	Days' bid	Days' ask	One month	Three months	One year	Morgan GNY
Europe	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Australia	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Belgium	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Denmark	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
France	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Germany	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Greece	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Ireland	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Italy	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Japan	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
South Korea	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Spain	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Sweden	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
Switzerland	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
UK	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810
USA	1.6810	+0.0004	0.00	1.6810	1.6810	1.6810	1.6810	1.6810	1.6810

NOTE: For Dec 29, 30/360 rates in the Dollar Spot table show only the last two decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Bank of England rates are not directly quoted to the market but are implied by current interest rates.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb
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WORLD STOCK MARKETS

EUROPE									
Austria (Dec 29 / Fri)									
ATX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Belgium (Dec 29 / Fri)									
BESE	3,456.78	+45.67	3,411.11	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Denmark (Dec 29 / Fri)									
OMXC20	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
France (Dec 29 / Fri)									
CAC 40	3,456.78	+45.67	3,411.11	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Germany (Dec 29 / Fri)									
DAX	3,456.78	+45.67	3,411.11	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Greece (Dec 29 / Fri)									
ATHEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Ireland (Dec 29 / Fri)									
ISEQ	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Italy (Dec 29 / Fri)									
FTSEM	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Japan (Dec 29 / Fri)									
Nikkei	12,345.67	+123.45	12,222.22	12,469.01	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Netherlands (Dec 29 / Fri)									
AEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Portugal (Dec 29 / Fri)									
BVLX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Spain (Dec 29 / Fri)									
IBEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Sweden (Dec 29 / Fri)									
OMXC20	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Switzerland (Dec 29 / Fri)									
SIX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
UK (Dec 29 / Fri)									
FTSE 100	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
US INDEXES									
Dow Jones	12,345.67	+123.45	12,222.22	12,469.01	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
S&P 500	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
NASDAQ	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56

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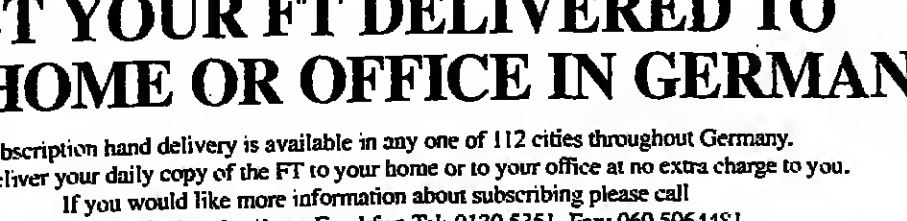
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- D -

BBC Corp	47	61.61	59%	58%	80%	+2
Daimler	0.12	20	2100	21%	20%	+0
Zurich	0.1211	2100	21%	20%	88	+0
Daimler-Benz	42	72	13	11%	11%	+0
Daimler-Benz	20	105	5%	5%	54	+0
Daimler-Benz	14	771	14	13%	14	+0
Daimler-Benz	0.82	12	116	25%	25%	+0

- J -

JSI Stock	24	51	18%	18%	18%	+0
JSI Stock	0.25	29	42%	42%	42%	+0
JSI Stock	0.10	29	2100	21%	21%	+0
JSI Stock	323	39	25	25%	25%	+1
JSI Stock	1	5	17%	17%	17%	+0

AMERICA

Selling hits oil sector as Dow holds steady

Wall Street

For the second consecutive day US share prices traded close to their opening values as traders and investors waited for the holiday week to end and a new trading year to start in earnest, writes Patrick Harrington in New York.

By 1pm, the Dow Jones Industrial Average was down 1.96 at 3,791.61, having stayed in a narrow range throughout the morning session. The more broadly based Standard & Poor's 500 index was also little changed at 470.55, while the Amex composite was up 0.41 at 470.41, and the Nasdaq composite up 2.51 at 767.07. Trading volume was 180m shares by 1pm.

Prices firmed at the start as investors reacted to more positive news on the economy. The good news was a 0.5 per cent increase in the November leading economic indicators, and a 29 per cent rise in November existing home sales. The data sufficient to push the Dow close to 3,800 but, by mid-morning, weakness among oil stocks, notably Chevron and Exxon, brought the Dow back from its early highs and into negative territory.

The strengthening economy, combined with low interest rates and the expectation that share prices would end the year on a positive note as they usually do, were all working in the market's favour, and keeping stocks at or close to record highs.

The selling in the oil sector was related to the latest declines in oil prices. Although Exxon was down 3/4 at \$38.75, Chevron, down 3/4 at \$38.50, and British Petroleum, down 3/4 at \$38.50, all oil stocks escaped the sell-off.

Phillips Petroleum rose 3/4 to \$39.25, and Mobil rose 3/4 to \$39.25. The latter was probably helped by the news that the company had sold off four pipe-

line systems, closed 10 product storage terminals and cut its domestic marine fleet by 33 per cent as part of a year-long streamlining of its US distribution system.

Airline stocks underperformed after the brokerage house, Prudential Securities, cut its rating of Delta Air Lines stock from "buy" to "hold". Delta fell 1/4 to \$54.40, while UAL gave up 1/4 to \$46.40, AMR, parent of American Airlines, slipped 1/4 to \$67.40, while USAir held steady at \$13.

CompUSA jumped 1 1/2 to \$21.40 on the news that the technology goods retailer's same-store sales had risen 13 per cent in its second fiscal quarter.

On the Nasdaq market, Intel gave up some of Tuesday's gains, slipping 3/4 to \$63.40. Other high technology stocks were mixed, with Apple down 3/4 to \$28 but Microsoft up 3/4 to \$55.40.

Canada

Toronto picked up after a hesitant start, driven by firmer industrial and energy issues, and by noon, the TSE 300 composite index was 13.96 higher at 4,302.98.

Volume remained restrained, however, at 17.1m shares, compared with 21.2m on Tuesday.

The industrial products sector added 28.74 or 1.2 per cent to 2,387.07. Shares in Northern Telecom rose 3/4 to \$34.00, in light of earnings, in response to expectations of positive developments in telecom deregulation south of the border.

SOUTH AFRICA

Overheated gold shares cooled off for the second day, but industrial shares continued their upward march, particularly in the food sector.

The gold index lost 31 to 2,126. Industrials gained 33 to 2,520 and the overall index put on 3 to 4,798.

ASIA PACIFIC

More highs in region as Nikkei extends revival

Tokyo

Japanese equities extended the recovery which they began in Tuesday's trading, as buying from arbitrageurs and investment funds lifted the market, in volatile trading, on the final full day of activity in this calendar year, writes Wayne Lionel Apono in Tokyo.

The Nikkei-225 average rose 140.82 to settle at 17,272.03, after fluctuating between an intraday low of 17,088.80 and a high of 17,342.13. The Topix index of all first section issues ended 2.08 higher at 1,428.27. Japanese equity trading will end today after this morning session today.

Turnover was estimated at 230m, compared with Tuesday's final 222m. Advances outpaced declines by 578 to 373, with 188 issues unchanged. In London, the ISE/Nikkei 50 index rose 0.98 to 1,183.9.

In spite of the lack of trading volume, brokers said that the

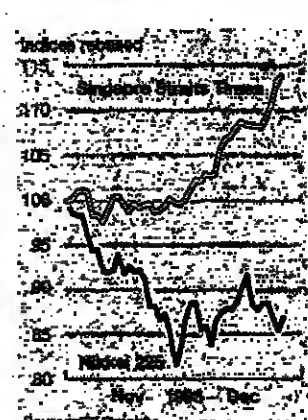
day's market sentiment reflected a lift in mood generally expected during this time of the month. Investors had widely hoped for a grand finale. The year-end finish was far from grand, but did result in positive territory, and modestly above the year-end finish of 1992, which was 16,924.95.

Pressed and crisp, traders on the Tokyo Stock Exchange followed the tradition of applauding on the final day of stock transactions, but clearly there was scant reason for celebration. The Nikkei-225 average's overall performance for the year was lacklustre at best, and the key barometer still remains more than 50 per cent below its all-time peak of 38,915.87 posted in late 1989.

On the trading floor, the automobile sector received a boost on reports of a proposed consumption tax cut for car purchases. Toyota ended Y30 higher at Y1,780, Honda advanced Y20 to Y1,500 and Isuzu Motors, which was one of the most actively traded issues of the session, gained Y9 to Y544.

Some consumer electronic issues were bought actively. Pioneer Electronic climbed Y10 to Y2,770, Sony rose Y30 to Y5,510 and Victor moved Y5 higher to Y535.

The session's gains failed to



push banking shares into positive territory. The Bank of Tokyo ended Y20 lower to Y1,470, Industrial Bank ended Y10 lower to Y2,900 and Sumitomo Bank fell Y20 to Y1,900.

In Osaka, the OSE average ended 121.06 higher to 1,005.47, in volume of 28.8m shares.

Roundup

New highs were the rule in Asia, the exception being Hong Kong which saw profit taking. Seoul and Bombay were closed for holidays.

SINGAPORE hit a new closing high for the third day in a row in record volume, the Straits Times Industrial index ending 34.48 higher at 2,426.85 in 866m shares.

Retail investors provided the impetus, with international fund managers divided over 1994 prospects.

MANILA peaked on the last trading day of 1993 amid forecasts of another strong year in

1994. The composite index rose 20.23 to 3,198.06, lifted by Philippine Long Distance Telephone and Philippine National Bank which rose 10 pesos to 2,280 and 45 to 615 respectively. Combined turnover at Manila and Makati rose from 3,470m pesos to 4,380m.

TAIWAN closed at a 29-month high as the market repeated Tuesday's pattern, with financials strong but most industrials down on profit-taking. The weighted index closed 36.22 up at 5,588.07 in turnover of 783.04m.

Heavy speculation was seen in financials and brokers worried that the mood, illogically, might have developed following the finance ministry's reimposition of a stock capital gains tax, of which details are expected by the end of this week.

JAKARTA professionals thought that window-dressing might have helped the official index up another 15.32 to a new high of 587.88.

KARACHI saw active buying by local institutions and foreign funds as the KSE-100 index rose 42.21 to 2,145.

AUSTRALIA closed just fractionally short of the post-1987 crash high of 2,132.4 reached on November 1, the All Ordinaries index rising 37.7 to 2,126.9 as it caught up after the Christmas break.

Blue chips were almost all firmer, with BHP up 50 cents to A\$16.90 and News Corp up five to A\$8.75.

NEW ZEALAND, also catching up with the US market, sent the NZSE-40 index up 46.79 to a nine-week high of 2,155.12. Brokers said the steep fall in wholesale interest rates before Christmas was also a factor.

HONG KONG dealers talked comfortably of consolidation as the Hang Seng index closed down 120.45, or 1 per cent at 11,449.77. Turnover remained strong, close to Tuesday's final HK\$9.61bn.

Mobile phones leave Kuala Lumpur walking on air

Kieran Cooke reports on the broadly based share buying frenzy that is gripping the Malaysian market

A hairdressing salon in central Kuala Lumpur. A mobile phone rings. It belongs to the girl with the scissors. "Buy 1,000 at M\$3.50 (\$1.40), sell at M\$3.50."

It is hard to escape the share frenzy which is gripping Malaysia. The Kuala Lumpur composite index, up 8.51 at a record 1,231.86 yesterday, has risen by 91.7 per cent this year. The retail market, rather than local or foreign institutional buyers, are leading the headline stock market charge.

Mr Michael Greenall, an investment analyst with Barings in Kuala Lumpur, estimates that the retail sector has accounted for as much as 70 per cent of recent activity.

Just look at the crowd in the brokerage offices. Mostly housewives or shopkeepers, says Mr Greenall. "They are the people who have been giving a real buzz to the market."

"Such is the desire to go on that some brokers are giving mobile phones to their bigger clients. There's a great deal of purely speculative trading happening but on the plus side there is a great deal of liquidity in the market."

Turnover figures back up that argument. A year ago average daily turnover was about M\$200m. In recent weeks it has been around the M\$300m mark.

While there seems to be a consensus among analysts that, with market prices rising to around 80 most shares are looking expensive, opinions differ about the likelihood of a sharp correction.

The head of a local securities house says that he is very uncomfortable with the present situation. "Until October the market was behaving reasonably rationally and showing signs of sophistication."

But since then it's gone back to the bad old days where speculation becomes confused with fundamentals. It's defied the natural order of things."

The fundamentals of the overall economy are looking good. Malaysia has one of the world's fastest growing economies. Latest economic indicators suggest that GDP will expand by about 8.5 per cent this year - the sixth successive year of more than 8 per cent growth.

The 1994 budget, delivered in late October, was seen to be generally good for business, with a cut in the corporate tax rate and promises of big increases in state spending, particularly on infrastructure.

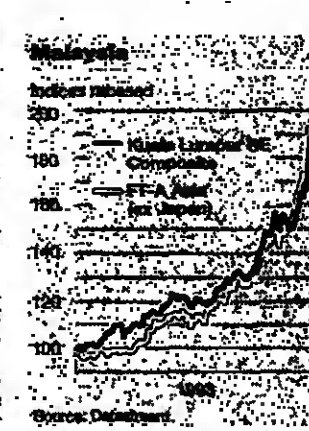
In November, Malaysia's political future seemed to be settled with the election of Mr Anwar Ibrahim, the finance minister, to the post of deputy leader of the United Malays National Organisation (UMNO), the dominant party.

Mr Anwar, 46, is now being seen as the heir apparent to Dr Mahathir Mohamad, 68, who has been the country's prime minister for the last 12 years.

Market optimists point to other positive factors. Malay-

slans, buoyed by economic success, have been bringing back large amounts of money previously parked overseas. With low interest rates people have been investing in the stock market or buying property.

The government is committed to continuing its wide ranging privatisation programme. Bicom, the government's heavy industry investment



company, is due to be floated early in 1994. Privatisation of the country's water system is also on the cards.

Many companies have taken advantage of the buoyant market to restructure and expand operations. Modern management techniques have taken the place of old-style family-orientated business methods.

Companies like Sime Darby, Hong Leong and Genting are now considered to be equal to the best in the region, and sitting on considerable boards of cash, ready to take advantage of opportunities both at home and abroad.

But rapid market growth has caused problems. Many feel that much still needs to be done to tighten up the regulatory aspects of the market, ready to take advantage of opportunities both at home and abroad.

The government has warned brokers that they must strengthen their back office operations. There has also been evidence of a more concerted effort by the authorities

to rid the market of insider trading and other abuses.

A handful of companies, including Tenaga Nasional, the electricity utility, and Telekom, the telecommunications company, account for about 50 per cent of total market capitalisation.

Foreign activity has been concentrated mainly on these stocks and there are fears that if institutions decide to sell their blue chips at the present high prices, no one will be willing to buy. A quick slide in the market could result.

Retail activity has been centred on the smaller stocks, some of which have recorded spectacular gains. Companies rumoured to have strong links to prominent politicians have been popular. Those which combine such connections with expertise in fast growing sectors like infrastructure have seen their stock market values treble or quadruple in recent months.

EUROPE

Madrid depressed by Banesto upheaval

Bourses had a mixed day, writes Our Markets Staff.

MADRID fell another 1.5 per cent, dragged down by negative sentiment after the Bank of Spain's decision to take control of the management in Banesto. Banks suffered again, with BCI Plais, or 6.1 per cent, lower at Ptas1,105 and BBV down Ptas10, or 3.8 per cent, at Ptas3,075. Turnover was an active Ptas14m.

PARIS climbed to a new closing high with the CAC-40 index up 17.25 at 2,581.89 in turnover of FF4.35bn. Euro Disney recovered FF2.85, or 9.8 per cent, to FF31.00 short covering after a two-day fall of FF1.15.

FRANKFURT continued to be dominated by DTF-originated trading, following a mini-crash in the DAX futures index on Tuesday. In the cash market, the DAX fell another 31.02, or 1.3 per cent, to 2,214.70 yesterday, recovering to 2,229.62 in the post-bell.

Very little of this was investment business, emphasised Mr Jens Wicking of Merck Fink in Düsseldorf. The fall in the market, he said, was merely a correction after Tuesday's intra-day high of 2,284.56 - and the post-bell "recovery", again, was a matter of

FT-SE ACTUARIES SHARE INDICES

FT-SE Actuaries Share Indices										
Dec 20	THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Eurostock 100	1461.01	1461.80	1461.59	1460.30	1462.74	1462.71	1466.78	1466.21		
FT-SE Eurostock 200	1548.00	1548.32	1549.72	1545.23	1546.99	1550.21	1551.46	1552.00		
	Dec 24	Dec 26	Dec 28	Dec 29	Dec 22	Dec 21	Dec 20			